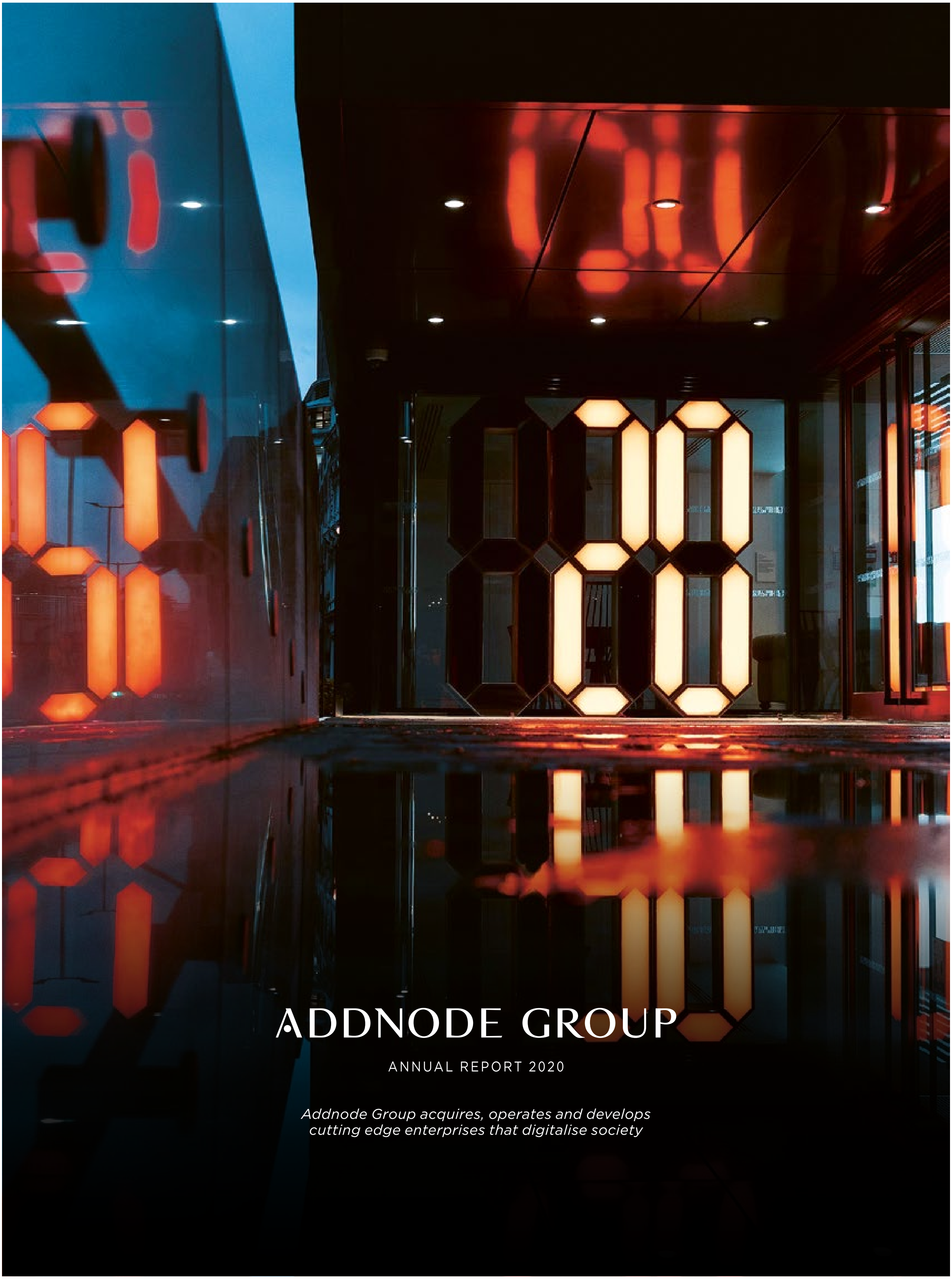

# ADDNODE GROUP

ANNUAL REPORT 2020

*Addnode Group acquires, operates and develops cutting edge enterprises that digitalise society*

# CONTENTS




**CONTACT PERSON, INVESTOR RELATIONS**

Christina Rinman, Head of Corporate Communication and Sustainability
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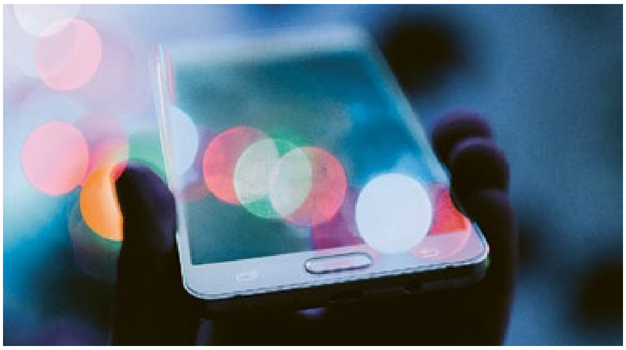
*This is a translation of the original in Swedish. In the event of any discrepancies between the two versions, the original Swedish version shall apply.*



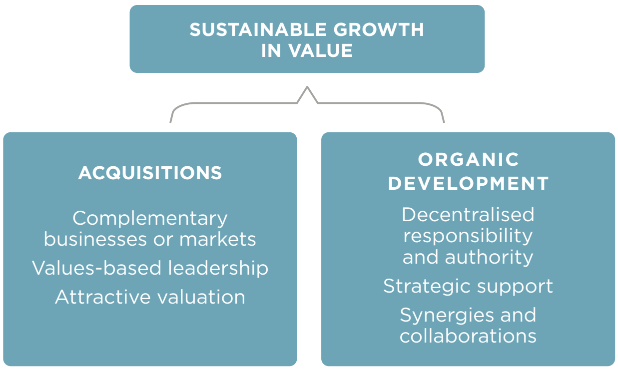




## ADDNODE GROUP ACQUIRES AND DEVELOPS COMPANIES WITH CUTTING EDGE IT SOLUTIONS FOR OUR DIGITALISED SOCIETY.

# ADDNODE GROUP

**OUR STRATEGY**
Addnode Group is a listed group. We create sustainable growth in value by acquiring and developing cutting edge enterprises that digitalise society.




**ADDNODE GROUP'S COMPANIES ARE ORGANISED IN THREE DIVISIONS**

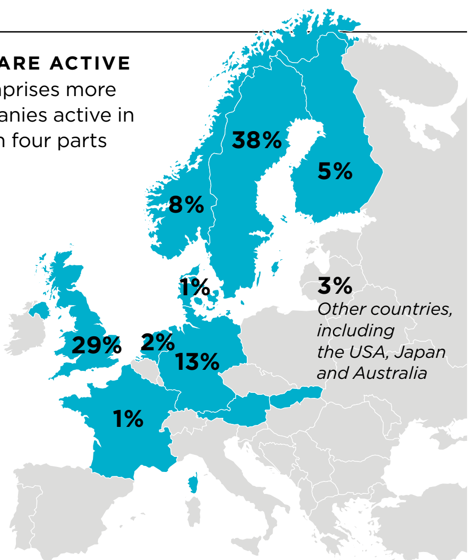
**Design Management**
Digital solutions for design, BIM and product data for architects and engineers in the construction and manufacturing industries, and digital solutions for more efficient project and facility management.

**Product Lifecycle Management**
Digital solutions for the entire lifecycles of products and facilities – from idea, design, simulation and construction to sale, aftermarket and recycling. Customers are in the manufacturing, automotive and life sciences industries, among others.

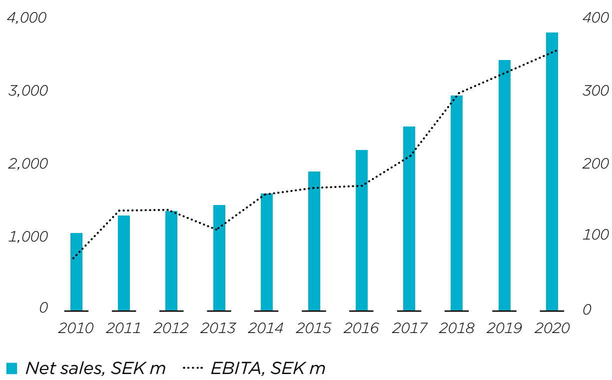
**Process Management**
Digital solutions for the public sector. Our solutions keep track of cases, simplify communication with citizens and contribute to more secure and reliable social services.

| EMPLOYEES | NET SALES | EBITA | RECURRING REVENUE |
|---|---|---|---|
| 1,833 | 3,807 SEK M | 356 SEK M | 67% |

**WHERE WE ARE ACTIVE**
Addnode comprises more than 20 companies active in 16 countries in four parts of the world.




**PROFITABLE GROWTH**
During the last ten-year period Addnode has had average annual growth of 14 per cent.




*Excluding remeasurement of contingent consideration in 2014, totalling SEK 34 m.*

# THE YEAR IN WHICH THE WORLD CAME TO A HALT
## A GOOD YEAR FOR ADDNODE GROUP

During a year dominated by the coronavirus pandemic, Addnode Group delivered strong earnings. Sales growth in 2020 was 11 per cent, of which –6 per cent was organic. Currency-adjusted organic growth was –5 per cent. Net sales increased to SEK 3,807 m, and EBITA grew to SEK 356 m, for an EBITA margin of 9.4 per cent. The share of recurring revenue increased to 67 per cent.

**NET SALES GROWTH** 11%

**SHARE OF RECURRING REVENUE** 67%

**EBITA MARGIN** 9.4%

### VALUE-CREATING ACQUISITIONS

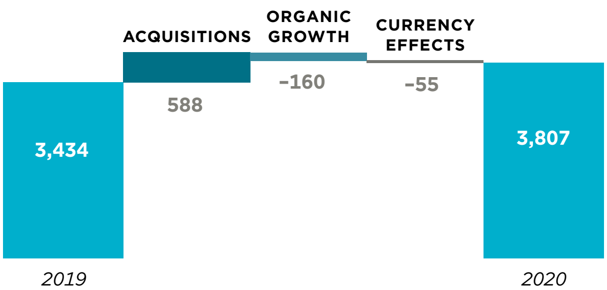
During 2020 Addnode Group acquired four new businesses with combined annual sales of approximately SEK 600 m.

The Group's largest acquisition ever, of the UK company Excitech, makes us the market-leading provider of design software in both the Nordic countries and the UK.

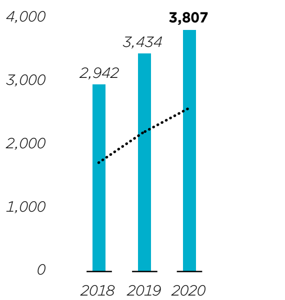
### HANDLING THE PANDEMIC

Short-term furloughs and cost-cutting programmes were carried out in markets with weak demand. Most of our employees have been working from home yet maintained close collaboration with customers and colleagues via video meetings and other digital solutions. The pandemic also highlighted the benefits of digitalising businesses, which led to renewed confidence from customers in both the private and public sectors.


## SALES GROWTH, SEK M




## NET SALES AND RECURRING REVENUE

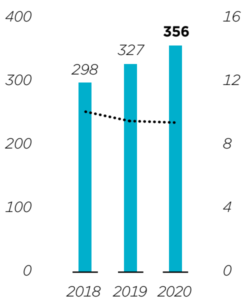



■ *Net sales, SEK m*

··· *Recurring revenue, SEK m*

*The average annual growth rate during the last three-year period was 14 per cent.*

## EBITA AND EBITA MARGIN




■ *EBITA, SEK m*

··· *EBITA margin, %*

| KEY FINANCIAL DATA | 2020 | 2019 | 2018 |
|---|---|---|---|
| Net sales, SEK m | 3,807 | 3,434 | 2,942 |
| EBITA, SEK m | 356[1] | 327 | 298 |
| EBITA margin, % | 9.4[1] | 9.5 | 10.1 |
| Operating profit, SEK m | 229 | 218 | 203 |
| Operating margin, % | 6.0 | 6.3 | 6.9 |
| Profit after tax, SEK m | 163 | 129 | 152 |
| Earnings per share, SEK | 4.88 | 3.86 | 4.75 |
| Cash flow per share, SEK | 17.32 | 12.36 | 8.90 |
| Dividend per share, SEK | 2.50[2] | 0.00 | 2.50 |
| Net debt, SEK m | 182 | 321 | 158 |
| Equity/assets ratio, % | 40 | 44 | 44 |
| Debt/equity multiple | 0.12 | 0.23 | 0.12 |
| Average number of employees | 1,758 | 1,590 | 1,471 |
| Total number of employees at year-end | 1,833 | 1,714 | 1,583 |

*1) In 2020, EBITA was charged with non-recurring costs of SEK 28 m attributable to adaptation of the organisation and cost structure in the Product Lifecycle Management division. Excluding these restructuring costs, EBITA for the Group would have been SEK 384 m, for an EBITA margin of 10.1 per cent. Government assistance in the form of short-term furloughs, reduced social security taxes and compensation for sick pay resulted in a temporary reduction in personnel costs by SEK 51 m.*

*2) Board of Directors' proposal to the Annual General Meeting.*

## SUSTAINABILITY IN FOCUS

During 2020 Addnode Group began a systematic process for building a sustainability agenda. A work group was formed with representatives from all three divisions. As a result of this work, sustainability focus areas and key ratios were identified. Addnode Group's Code of Conduct and Sustainability Policy were also further developed.

During a year dominated by the progression of the global pandemic and societal lockdowns, Addnode Group delivered favourable growth and strong earnings. **The benefits of digitalising businesses have become increasingly clear.** Both we and our customers quickly transformed our work processes in a way that has contributed to efficiency and sustainability also going forward.

# **DIGITALISATION AND SUSTAINABLE BUILDING OF SOCIETY** DRIVES OUR BUSINESS

2020 was a year in which large parts of society came to a halt. Acute measures have been taken in society to slow the spread, and our employees demonstrated a superb ability to adapt. I am proud and happy to lead an organisation with dedicated employees who, in spite of tough challenges, found new ways to drive the business forward. During the year we had sales growth of 11 per cent along with stronger cash flow and earnings, and achieved an EBITA margin of 9.4 per cent.

### LONG-TERM DRIVERS

Estimating how long the pandemic will continue and how extensive its impact will be on society and on the global economy is hard. It is clear, however, that digitalisation has gained further momentum as we cannot meet in person in the same way as before. We have learned a lot about remote communication and new ways of working that both we and our customers will benefit from going forward.

The fundamental drivers are long-term and involve technology trends in digitalisation and automation as well as macro societal trends with continued urbanisation and demands for sustainable development. In all our business areas, customers are in great need of greater productivity paired with resource-efficient and climate-smart ways of working. Effective communication and an ability to process large volumes of data and information are crucial for success. Addnode Group's digital solutions are helping with this. We are one of Europe's largest providers of digital solutions for design and engineering activities, we have a global offering for facility management, and we are a leading provider of case management systems to public administrations in Sweden.

### HOLISTIC APPROACH TO SUSTAINABILITY

The digital solutions we provide are also used to drive societal development forward in a more sustainable way. That makes us a company whose operations mainly have a positive impact on the surrounding environment. But we are not satisfied with that. Sustainability is a critical issue for the future that has taken up greater focus also in our internal work.

During 2020 a Group-wide sustainability project was carried out. We have identified focus areas, key performance indicators and the Global Sustainable Development Goals that we believe we can contribute to. This work is now being driven forward in line with our decentralised management structure, where the divisional presidents and subsidiaries are taking strong responsibility with support of uniform guidelines from the Parent Company. We strive for simplicity and long-termism in all our relationships, with our employees as well as with customers and partners. The strength of belonging to a group with coordinated leadership and a cohesive culture has never been clearer than in a year like this one.

### VARYING DEVELOPMENT AND CHALLENGES

The coronavirus pandemic affected Addnode's businesses to varying degrees in 2020. Demand from the public sector has remained strong, which led to favourable development with organic growth and improved margins in the Process Management division. Addnode Group's solutions are supporting authorities and municipalities in their transition to digital ways of working and are helping them maintain key societal functions despite pandemic-related restrictions.

In the Design Management division, demand has been stable for facility management systems and collaboration solutions for construction and infrastructure projects. Our solutions for design and product data have encountered tougher market conditions and weaker new sales, but with the help of strict cost control and short-term furloughs we nevertheless managed to achieve our highest earnings ever in this area.

The Product Lifecycle Management division had stable demand in the Nordic countries, the UK, Germany and the USA. Furloughs, restructuring programmes and other cost-cutting measures have been carried out to counter the effects of lower net sales.

### STRATEGIES FOR CONTINUED VALUE CREATION

Addnode Group's strategy is to create sustainable growth in value by acquiring and developing cutting edge companies that digitalise society. Despite the limitations posed by the pandemic, I can affirm that we delivered growth and improved earnings.

We have a business model with a large share of recurring revenue and continuing contracts that are paid for in advance at the start of each year, which has been especially valuable in a tough year like this one. With stable finances, we are well-positioned to continue growing both organically and through acquisitions.

During 2020 we welcomed four new companies to the Group, and we see continued good opportunities for value-creating acquisitions. We will continue to invest in our employees' competence and innovation in close collaboration with our customers.

**Johan Andersson**
President and CEO

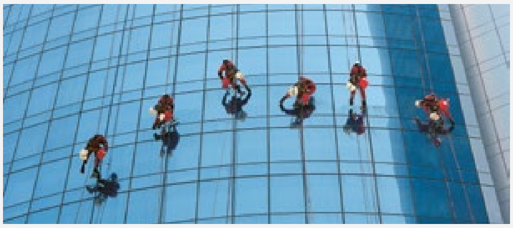
# DIGITALISATION AND SUSTAINABLE DEVELOPMENT OF PRODUCTS AND SOCIETY

Addnode Group develops and delivers digital solutions in four areas with strong growth. Customers are in sectors such as architecture, design, construction and civil engineering as well as in facility management and maintenance, manufacturing, life sciences and public administration. We see major business opportunities emerging alongside global trends and challenges such as digitalisation, sustainability, urbanisation and the emergence of smart cities, automation of industries and public sector processes and demographic changes.

## GROWTH AREAS

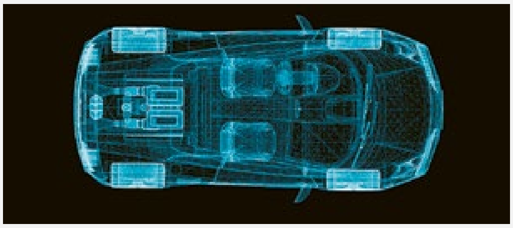
### ARCHITECTURE, ENGINEERING AND CONSTRUCTION (AEC), AND BIM

Addnode Group is one of Europe's leading providers of design and BIM software as well as digital solutions for the needs of architects, engineers and designers. Our product portfolio supports the various actors' work from initial planning to management of the finished building.



### FACILITY MANAGEMENT

Addnode Group has a broad portfolio of software and digital solutions for customers in property management and maintenance, and facility and workplace management. The Nordic countries and the UK are the largest markets, with growing business in Canada and Australia.



### PRODUCT LIFECYCLE MANAGEMENT (PLM)

Addnode Group is a global provider of PLM software and services for industries such as manufacturing, life sciences, research, automotive and transport. Customers are offered digital support over a product's lifecycle, from simulation and design to maintenance and aftermarket. The Nordic countries, the UK and Germany are the largest markets.

### DIGITAL GOVERNMENT

Addnode Group has a broad portfolio of software and digital solutions in areas such as case management, e-archives, social services, e-services for citizens and digital administrative support for municipalities' permitting and administrative activities. Customers consist mainly of government agencies, regions and municipalities. Sweden is the largest market.

*"2020 was a year in which we and our customers became even more digital. With our digital solutions, customers can work remotely and be even more efficient as they design and manage infrastructure, properties, products and services for their customers. The positive digitalisation effects that we saw in 2020 will continue both for us and our customers."*

**JOHAN ANDERSSON,** CEO ADDNODE GROUP

| DRIVERS AND GROWTH | MARKET GROWTH |
|---|---|
| **URBANISATION AND BIM**<br>Growth is being driven by urbanisation and the need to build efficiently and sustainably. To improve efficiency, customers are digitalising their processes and adopting new ways of working. Supervisory authorities are moving towards greater use of digital work processes based on BIM (building information modelling), a collective term for digital models of a building or infrastructure along with their related assets over their entire lifecycle. | **+8–14%**<br>Research and Markets estimates that annual growth in the BIM market will reach 14 per cent during the period 2019–2026. According to Technavio, the global AEC market will grow yearly by at least 8 per cent during the period 2020–2024.<br>*Operations in this area are conducted mainly in the Design Management division, but also in the Product Lifecycle Management division.* |
| **MORE EFFICIENT FACILITY MANAGEMENT**<br>Growth is being driven by customers' needs for more efficient management, outsourcing of management services and by authorities' environmental, health and safety requirements. More and more actors are looking for better systems for detailed follow-up and control as well as transparency surrounding the environmental impact of properties and facilities. | **+7%**<br>Allied Market Research projects that the global facility management market will grow by 7 per cent per year during the period 2020–2027.<br>*Operations in this area are conducted in the Design Management division.* |
| **COMPREHENSIVE, TRACEABLE PRODUCT DEVELOPMENT**<br>Growth is being driven by customers' efforts to continuously launch new products with good economic performance over the product lifecycle as well as by regulatory requirements for traceability and product ownership. It must also be possible to share product information efficiently, both internally and with subcontractors and partners. | **+6%**<br>According to CIM-data, the global PLM market is expected to grow by approximately 6 per cent from 2020 to 2025.<br>*Operations in this area are conducted in the Product Lifecycle Management and Design Management divisions.* |
| **DEMOGRAPHICS AND CITIZEN DEMANDS**<br>Growth is being driven by urbanisation and the demographic trend, with an ageing population and citizen demands for digital communication, which is putting pressure on more efficient public administration. Digital work methods are giving authorities and municipalities opportunities to create smoother processes and communication channels. | **+5%**<br>According to Radar, growth in operationally financed IT for the public sector was 4.7 per cent.<br>*Operations in this area are conducted in the Process Management division.* |

# HERE'S HOW WE CREATE **PROFITABLE AND SUSTAINABLE GROWTH**

Addnode Group is a group of companies that provides digital solutions. We create sustainable growth in value over time by continuously acquiring new companies and actively supporting our subsidiaries to drive organic earnings growth. Our organisation is decentralised with large, local responsibility for operations.

**VISION**
Addnode Group's vision is to provide technology for a sustainable future.

**STRATEGY**
Addnode Group acquires, operates and develops cutting edge enterprises that digitalise society.

**BUSINESS MODEL**
Addnode Group's subsidiaries provide digital solutions with a high share of recurring revenue from support, maintenance, and subscription and SaaS solutions. We take long-term responsibility for the software and digital solutions we provide, which creates value and stability for our customers and profitability for the Group.

## HERE'S HOW ADDNODE GROUP CREATES VALUE

### RESOURCES

**Customer relationships**
— Long-term relationships
— Private and public sector

**Decentralised and agile organisation**
— 1,800 employees
— Cutting edge competence and industry experience

**Digital solutions**

**Strong partnerships with software companies**
— Autodesk
— Dassault Systèmes

**Stable financial position and strong cash flow**

### STRATEGY

**Sustainable growth in value**

**Acquisitions**
Complementary businesses or markets
Values-based leadership
Attractive valuation

**Organic development**
Decentralised responsibility and authority
Strategic support
Synergies and collaborations

### VALUE CREATED

**Customers**
— New business opportunities
— More efficient and sustainable business

**Employees**
— Attractive place to work with development opportunities

**Society**
— More effective dialogue between authorities and citizens
— Digital solutions that contribute to sustainable development

**Owners**
— Growth in value and dividends

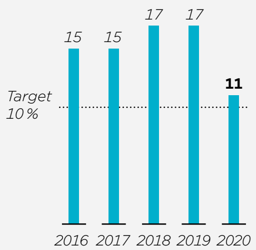
# FINANCIAL TARGETS AND TARGET ACHIEVEMENT

During the last ten years Addnode Group has had average annual growth of 14 per cent, and EBITA has grown by an average of 18 per cent per year. Recurring revenue, which provides financial stability, is a key part of the business model. In 2020 it accounted for 67 per cent of net sales.

| | GROWTH | EARNINGS | DIVIDEND |
|---|---|---|---|
| **TARGETS SET BY THE BOARD OF DIRECTORS[1]** | 10% Annual growth in net sales of at least ten per cent. | 10% Operating margin before amortisation and impairment of intangible assets (EBITA margin) of at least ten per cent. | 50% At least 50 per cent of consolidated profit after tax shall be distributed to the shareholders, provided that net cash is sufficient to operate and develop the business. |
| **ACHIEVEMENT 2020** | 11% Growth in 2020 was 11 per cent, of which –6 per cent was organic. | 9.4% The EBITA margin was 9.4 per cent (9.5). | 51% For the 2020 financial year, the Board of Directors has proposed a dividend of 51 per cent of consolidated profit after tax. |

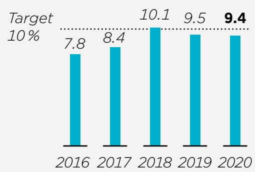
**TARGETS AND TARGET ACHIEVEMENT OVER FIVE YEARS**

**SALES GROWTH**



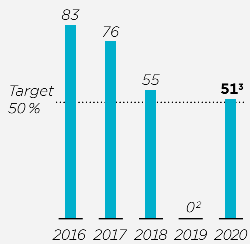

Growth, %

**EBITA MARGIN**




EBITA margin, %

**DIVIDEND PAYOUT RATIO**




Dividend as % of profit after tax

2) Due to uncertainty surrounding the progression of the coronavirus pandemic.
3) Proposed by the Board of Directors to the Annual General Meeting.

1) The financial targets were set by the Board of Directors in 2013.

# ACQUISITIONS
## CONTINUOUS EVALUATION OF ACQUISITION OPPORTUNITIES

Addnode Group is continuously searching for possible acquisition candidates. We nurture long-term relationships with companies to be well-positioned if an acquisition opportunity arises. We have a tried-and-tested acquisition process and can act swiftly when the situation requires.

Addnode Group's list of possible acquisition candidates is growing in pace with our expansion and as our strategy evolves. Within the Group we have a central function with responsibility for the acquisition process. Leaders in our subsidiaries are encouraged to actively identify potential acquisitions, and here is where the most important relationship-building often is conducted. This process allows us to gain extensive knowledge about acquisition candidates at an early stage and to develop a clear plan for ownership surrounding the integration process.

### THOROUGH DUE DILIGENCE MINIMISES RISK

All acquisitions that Addnode Group carries out are preceded by thorough due diligence of the acquisition candidate that aims to identify and address risks and confirm valuation assumptions. In addition to customary areas such as financial, commercial, legal, tax-related and technical due diligence, we also dedicate substantial time and commitment to evaluating cultural and personal aspects. What is decisive for a successful acquisition is that there is a shared view of the future strategy and business plan, and that colleagues who will be working closely together get along well and share our values about responsibility, simplicity and focus on customers and employees.

### DIVISIONS ARE INVOLVED AT AN EARLY STAGE

Most due diligence work is conducted by our own employees. Divisional management and employees of our subsidiaries are involved at an early stage and participate actively in the process. This often benefits the entrepreneurs and acquisition candidates that are the subject of our analysis, as we ourselves can adapt the process and prevent it from distracting focus from the target company's business activities.

Preparations for integration are conducted as an integrated part of the due diligence work. The divisional presidents and our subsidiaries play a driving role in this work. In this way we ensure that key actors, including the target company's management, support the work and the plan to be carried out.

### ACQUISITION CRITERIA

Our acquisition strategy is long-term and aims to complement existing operations and develop the offerings in our markets. Addnode Group seeks to acquire companies that:

- **Have leadership** that is characterised by sound values and shares our focus on strong relationships with customers and colleagues
- Have **a culture distinguished** by simplicity and entrepreneurial spirit
- Have **proven business models** that are profitable at the time of the acquisition
- **Expand or strengthen** our existing businesses geographically or **add new offerings** in geographic markets in which we already work

Since we are continuously making many acquisitions, our acquisition work is systematised – not only at the Group level – but also in our divisions and subsidiaries. This is a key success factor. In pace with the Group's growth, the size of its acquisitions has also grown. Since the start in 2003 Addnode Group has carried out more than 60 acquisitions. The majority have been companies with sales ranging from SEK 10 m to SEK 50 m, while the largest acquired company is Excitech, with sales of approximately SEK 600 m.

## THREE OVERARCHING ACQUISITION PHASES

**PREPARATION**
- Screening & initial contacts
- Initial talks & indicative valuation
- Investment hypothesis & integration plan

**TRANSACTION AND CLOSING**
- Letter of Intent
- Due diligence
- Contract negotiations & board decision

**IMPLEMENTATION**
- Signing & closing
- Integration & follow-up

## ADDNODE GROUP WELCOMED FOUR NEW BUSINESSES IN 2020

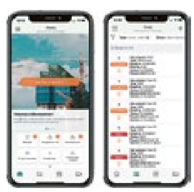
### EXCITECH

Largest Autodesk partner in UK market and leading provider of design software and consulting services for the construction and manufacturing industries.

**Design Management Division**

New employees
150

Annual sales
550 SEK M



### UNIZITE

Norwegian developer of a mobile field tool that makes 3D models and other digital information available to everyone at a construction site.

**Design Management Division**

New employees
10

Annual sales
7 SEK M

### NETPUBLICATOR

Develops digital services for efficient document and meeting management in conjunction with public administration meetings in Sweden.

**Process Management Division**

New employees
6

Annual sales
20 SEK M

### SCANSCOT TECHNOLOGY

Swedish Dassault Systèmes partner. Nordic leader in advanced simulation for customers in infrastructure, research and energy.

**Product Lifecycle Management Division**

New employees
15

Annual sales
40 SEK M

SYMETRI'S GROWTH JOURNEY

## From local supplier to leading European business partner

**Addnode Group's subsidiary Symetri is an outgrowth of a series of acquisitions that started when Swedish–Norwegian Cad-Q became part of the Group in 2005. Since then, the business has grown its annual sales from around SEK 200 m to SEK 1.5 bn.**

Symetri has gradually developed from its position as a local expert in CAD (Computer Aided Design) software to a strategic business partner that, with customised digital solutions, supports its customers' work in every step of a product's or building's lifecycle.

"Most of the companies we have acquired over the years have their origins in the early 1990s when PC-based CAD programs came out across a broad front and replaced the drawing board in many engineering-related operations. This simplified and improved the efficiency of design and construction work, and marked the start of the digitalisation that the construction and manufacturing industries have gone through," says Rolf Kjaernsli, President of Addnode Group's Design Management division, which includes Symetri.

### NEW GEOGRAPHY, COMPETENCE AND TECHNOLOGY

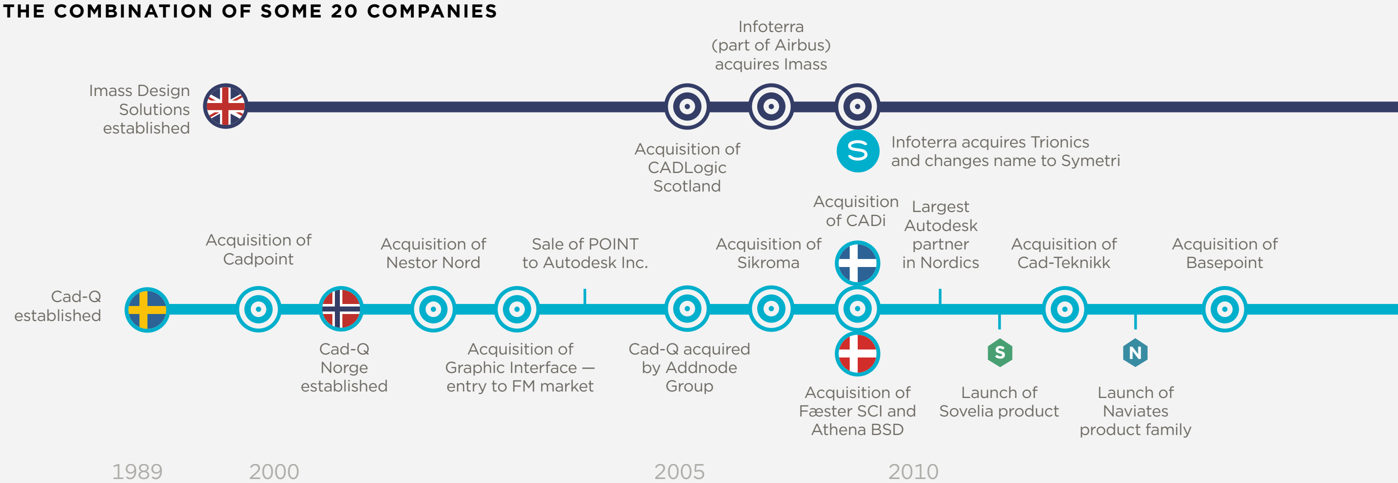
Rolf was President of the Swedish–Norwegian company Cad-Q when it became part of Addnode Group in 2005 and since then has been along on the entire acquisition journey, which has resulted in nearly 20 companies from Sweden, Norway, Finland, Denmark and the UK being combined into one. Today they all work under the same company name Symetri.

"Our journey from local to leading European player has been achieved through the professional support of Addnode Group, both with respect to the financing of acquisitions and the competence to carry them out," Rolf says. "Our growth strategy is based on three purposes: to add new geographies, new competence or new technology, that is, products or software that complement our portfolio. And along with this we expand our customer base."

### FAST INTEGRATION

The entry into the UK market has entailed, for example, that software developed in the Nordic countries has found new customers in

**THE BUILD-UP OF SYMETRI IS THE RESULT OF THE COMBINATION OF SOME 20 COMPANIES**



the construction and manufacturing industries in the UK, and vice versa.

"Our ambition is to quickly integrate acquired businesses, which creates value both for our customers and employees," notes Jens Kollserud, President of Symetri since 2016, when he succeeded Rolf Kjaernsli. "The various companies' specialties are made available to Symetri's entire customer base, allowing us to successively take on ever bigger and more challenging projects."

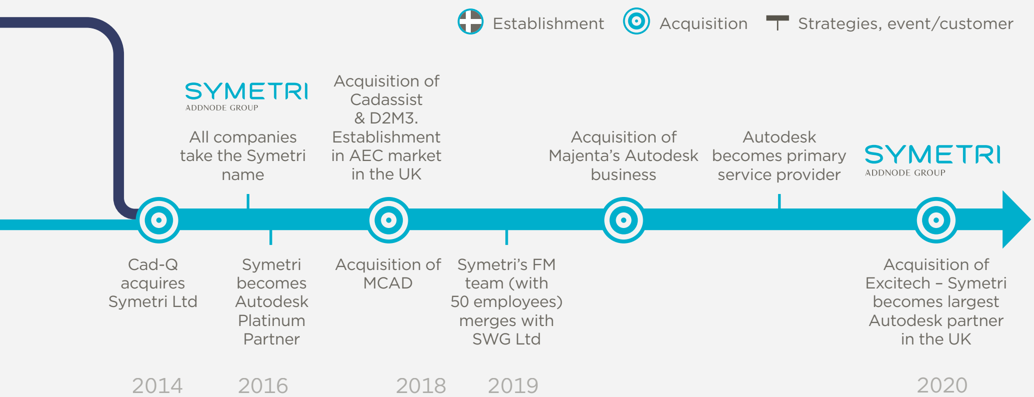
**BROADER USE OF SYSTEMS**

Both see a development where the company's expansion plans are being driven by the customers' as well as the world-leading partner Autodesk's growing demands for

**ROLF KJAERNSLI**, HEAD OF DESIGN MANAGEMENT DIVISION, AND **JENS KOLLSERUD**, PRESIDENT OF SYMETRI

competence and delivery capacity. The major acquisition in 2020 of Excitech in the UK was therefore a welcome addition that is entirely in line with Symetri's and Addnode Group's growth strategies.

Says Jens: "Together, Symetri and Excitech have been able to provide solutions with immense value added for customers. Despite the challenges from the global pandemic, we see that our products and services are regarded as vital components in our customers' digital transformations. Today we have 200,000 users of our systems in total, compared with around 5,000 when Addnode started its acquisition journey in 2005. At the same time, our offering of digital solutions has become broader, from design and construction to also covering a number of other functions – from sales to production and project collaborations."




The build-up of Symetri has entailed the expansion of local companies with strong ties in Sweden and Norway, first to Finland and Denmark and then becoming market-leading providers of design software and services to the construction and manufacturing industries in both the Nordic countries and the UK. It total, business has grown from annual sales of SEK 200 m in 2005 to SEK 1.5 bn today. Growth has mainly been driven by broadened competence, software solutions and geographic expansion. As a result of this business development, Symetri has increased its product offering and is serving ever-larger customers with global operations in a growing number of industries.

# ORGANIC DEVELOPMENT
## ENTREPRENEUR-DRIVEN COMPANIES STRENGTHENED BY THE GROUP

By being part of Addnode Group, acquired companies gain the opportunity to continue developing their business with the support of the Group and the division the company belongs to. Organic growth in net sales and earnings in our subsidiaries are, together with complementary acquisitions, the foundation of the Group's value creation.

Addnode Group is made up of three divisions with entrepreneur-driven companies that all contribute to the Group's long-term value creation. Our group wide structure, with access to industrial know-how and capital, supports the companies in further developing their businesses and their leaders.

### DECENTRALISED RESPONSIBILITY AND AUTHORITY

Our operational governance model is based on decentralisation and entails a delegation of responsibility and authority for the subsidiaries to act. Operational decisions are made as close to customers and end users as possible, which requires talented and competent leaders who take responsibility for developing the business in both upswings and downturns in the market.

Through our governance model we ensure that Addnode Group and the leaders of the respective business units have a shared view of how the business is to be developed going forward. Strategies and goals are set for every company based on the Group's overarching goals and strategy. This is done in close cooperation between the subsidiary's president and Addnode Group's divisional president, who is also chairman of the company.

The companies in the Group do business under their respective company names in a joint structure in which Addnode Group is the supporting brand. This allows the companies to retain their distinctive characters and at the same time benefit from the advantages afforded by a large, listed company in the form of recognition, credibility, financial stability and access to capital for continued organic expansion and acquisitions.

### STRATEGIC SUPPORT CREATES VALUE

Our principles for company development draw upon continuity and conscious risk analysis to develop and strengthen the subsidiaries' individual market positions. Through an internal network of driven entrepreneurs, we focus on business areas in which we have competence and experience, which entails that within the Group we have the opportunity to support companies with:

- developing a more focused business strategy,
- structuring and developing their brand portfolios,
- improving customer offerings,
- incorporating peripheral products and services,
- supporting a long-term focus on profitability and cash flows,
- carrying out complementary acquisitions,
- strengthening the financial control and reporting processes, and
- implementing cost efficiencies.

### SYNERGIES AND COLLABORATIONS

Within the framework of the decentralised governance model, active work is conducted on taking advantage of synergies in areas such as sales, product development, delivery capacity and leadership. Innovation and product development are always based on the customers' needs. Where justified from a business sense, we realise cost savings through collaboration within and between divisions.

If one or more Addnode Group companies can create a better customer offering and competitive position, we integrate operations. To develop leadership, group and division wide meetings are held between subsidiaries, such as theme meetings for company presidents and financial managers. Once a year, Addnode Group also hosts the Addnode Group Leadership Forum.

ORGANIC DEVELOPMENT IN PRACTICE

# Cross-pollination between companies drives profitable growth

**For an entrepreneur, selling your company to Addnode Group opens up great opportunities to grow your business and develop new offerings together with sister companies in the same area. The Process Management division today includes some 15 companies that collaborate through a shared focus on digital solutions for the public sector.**

For Addnode Group's Process Management division, the growth journey in recent years has been driven by an acquisition strategy in which the companies collaborate and in certain cases are combined, but the pace at which this is done varies from case to case. Integration is often based on collaboration between various development projects, which are conducted in a way that balances the importance of nurturing existing business and realising the most tangible synergies.

"When we make an acquisition we always have an idea about what the company can contribute in both the short and long term," explains Andreas Wikholm, President of the Process Management division. "The first thing we do with a newly acquired company is appoint a board with relevant representatives from other companies in the Group, so that the businesses can quickly begin cross-pollinating each other."

## SECURED COMPETENCE POOL

Initially, collaboration is often focused on sales, marketing or networking activities. From the Group, various development programmes are also initiated in leadership, innovation and intrapreneurship, which are hard for a small company to arrange itself.

"We also offer recruitment support and new career paths through internal rotation, where employees can advance from a role in one company to another instead of leaving the Group," Andreas says. "This type of competence transfer promotes cooperation and drives organic growth."

He points to the ability to attract and retain employees as a decisive competitive factor and the key to success in a sector where growth is often limited by access to competence:

"In recent years the battle for employees has been more intense than the battle for customers. To meet demand and be able to sell more, we need to secure our competence pool. We do this best by collaborating between companies, such as by borrowing resources from each other, packaging products and services, and working together on customer offerings that would not be possible for a standalone company."

## COORDINATED LEADERSHIP

This has been a successful concept even in a year dominated by a global pandemic, when large and small companies alike had to deal with everything from working from home to the switch from in-person meetings to virtual ones.

"Having the affiliation in a group with a collegial exchange has probably never been more important than during the pandemic," says Andreas. "Owing to joint frameworks and guidelines, we have coordinated leadership in the light of the restrictions that were put in place to stop the spread of the virus, which enabled us to manage relatively well in 2020 despite the difficulties. Both customer and employee satisfaction have improved, and we grew organically with even stronger earnings growth."

*"Having affiliation in a group with a collegial exchange has never been more important than during the pandemic."*

**ANDREAS WIKHOLM**
PRESIDENT OF PROCESS MANAGEMENT DIVISION

# THREE DIVISIONS

Addnode Group's subsidiaries are organised in three divisions: **Design Management**, **Product Lifecycle Management** and **Process Management**. Every subsidiary develops its business in accordance with strategies, guidelines and joint-Group values. The decentralised governance model means that business-critical decisions are made close to the customers and markets.

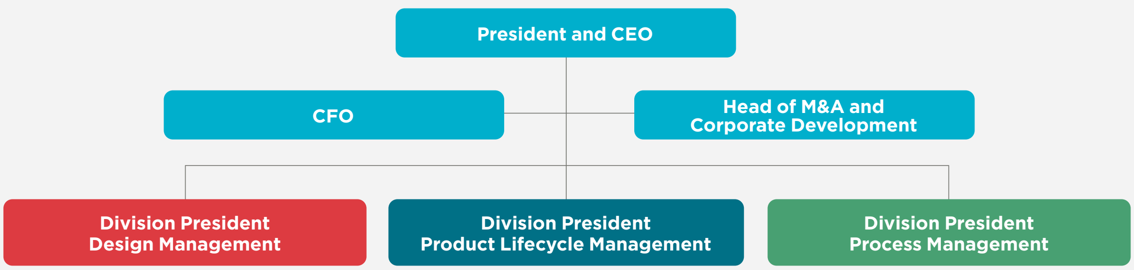
## ORGANISATION

The divisional presidents are responsible, in accordance with set strategies and goals, for the subsidiaries in their respective divisions and report to Addnode Group's President and CEO. The divisions make up the Group's operating segments, according to which Addnode Group monitors business development.

Group Management, which includes the divisional presidents, the CFO and the Head of M&A, supports the CEO in strategic and operational matters. Starting on 1 January 2021, the Head of Business Development is also a member of Group Management.

Central functions in Addnode Group's head offices are responsible for coordination, financial follow-up and reporting, and policies and guidelines at an overarching level, and contribute expertise surrounding acquisitions, business models, brands and communication.

### OPERATIONAL GROUP STRUCTURE




**Design Management:** SERVICE WORKS GLOBAL, SYMETRI, TRIBIA

**Product Lifecycle Management:** TECHNIA

**Process Management:** ADTOLLO, ARKIVA, CANELLA, DECERNO, EVITBE, FORSLER STJERNA, IDA INFRONT, INPORT, INTRAPHONE, KOMPANION, MITTBYGGE, NETPUBLICATOR, SOKIGO, STAMFORD, VOICE PROVIDER

## INNOVATIVE OFFERINGS

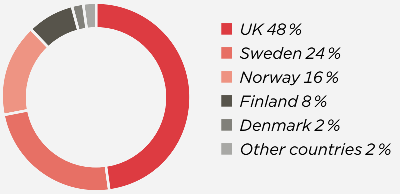
The subsidiaries in Addnode Group's three divisions offer digital solutions and services to customers in the construction and real estate sectors, manufacturing, the automotive industry, life sciences and the public sector. Their solutions improve efficiency in everything from design, construction and product data management to case management and citizen dialogues.

### **DESIGN MANAGEMENT** DIVISION

Digital solutions for design, BIM and product data for architects and engineers in the construction and manufacturing industries. The division also offers solutions for more efficient project collaboration and facility management.

| SHARE OF NET SALES* | SHARE OF EBITA* | NUMBER OF EMPLOYEES |
|---|---|---|
| 49% | 48% | 565 (of whom, 124 women) |

**NET SALES 2020**
(SEK 1,860 M)

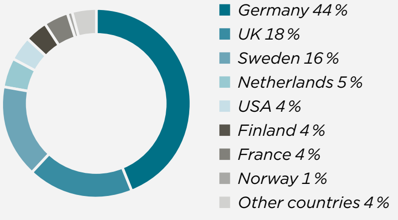



### **PRODUCT LIFECYCLE MANAGEMENT** DIVISION

Digital solutions for products and facilities throughout their lifecycles – from idea, design, simulation and construction to sale, aftermarket and recycling. Customers are in the manufacturing, automotive and life sciences industries, among others.

| SHARE OF NET SALES* | SHARE OF EBITA* | NUMBER OF EMPLOYEES |
|---|---|---|
| 30% | 14% | 654 (of whom, 139 women ) |

**NET SALES 2020**
(SEK 1,141 M)

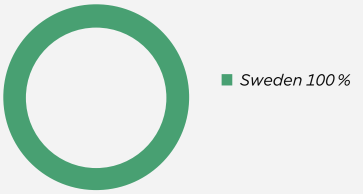



### **PROCESS MANAGEMENT** DIVISION

Digital solutions for the public sector. Our solutions keep track of cases, simplify communication with citizens and contribute to more reliable and secure social services.

| SHARE OF NET SALES* | SHARE OF EBITA* | NUMBER OF EMPLOYEES |
|---|---|---|
| 21% | 38% | 532 (of whom, 138 women) |

**NET SALES 2020**
(SEK 827 M)




**) Before elimination of invoicing between divisions and joint-Group costs.*

# DESIGN MANAGEMENT DIVISION

Design Management is one of Europe's leading providers of digital solutions for design, BIM and product data for architects and engineers in the construction and manufacturing industries. The division also has a strong offering in project collaboration and facility management in the Nordic countries and the UK.

Operations of the Design Management division are conducted by the subsidiaries Symetri, Tribia and Service Works Global (SWG). In January 2020 the British company Excitech was acquired, which is an Autodesk Platinum Partner that provides advanced software, training and consulting services for the architecture, engineering and construction sectors. Excitech's operations were integrated with Symetri's operations in the UK at the start of 2021. In early 2020 the company Unizite was also acquired, which has developed a mobile field tool for sharing building-related information. Unizite's operations have been integrated in Tribia.

## MARKET

The division's growth is being driven by global trends such as urbanisation and the need to build and manage properties in an efficient and sustainable way. Demand is also being driven by regulatory requirements and demands for traceable product information. The Nordic countries and the UK are our home markets, but we are also active in Australia, Canada and the Gulf states.

## OFFERING

The division's companies offer digital solutions that streamline and quality-assure customers' various processes, from preliminary design proposals to operation and maintenance of completed buildings or facilities.

Symetri is the Nordic region's and UK's largest supplier of Autodesk products, complementary software and services for construction and property companies, manufacturing industries and their suppliers. Customers use its software for 3D design, BIM (building information modelling), and product, infrastructure, plant and building simulations. We have also developed peripheral products for, e.g., product data management and to be able to accommodate local standards and norms in digital design processes.

Tribia is a product company that provides cloud-based collaboration tools for construction and civil engineering projects to principals as well as to construction companies in the Norwegian and Swedish markets.

SWG is a product company that provides digital solutions for property management and maintenance, and facility management and related services.

## CUSTOMERS

The division has a broad customer base in the construction, real estate, manufacturing and marine industries as well as in the public sector. Examples of customers include the Centre for Hydrology & Ecology, Ericsson, Heathrow Airport, Sunnhordaland Kraftlag, Honeywell, Isle of Wight NHS Trust, Multiconsult, Region Gävleborg, Tetra Pak and Transport for London.

## COMPETITION

Symetri's competitors are mainly global software companies such as Dassault Systèmes, Nemetscheck and Siemens as well as other local Autodesk partners. Its proprietary software and related services combined with Nordic and British organisations are key competitive advantages. For both SWG and Tribia, the competition is mainly local, but also comes from international companies such as IBM, Planon and Trimble.

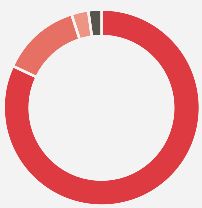
*"The acquisition of Excitech has strengthened our position in the Nordic countries and the UK. The pandemic resulted in lower new sales, but we managed to counter the challenging market conditions through short-term furloughs and other cost-cutting measures."*

DIVISION PRESIDENT **ROLF KJÆRNSLI**

## KEY RATIOS

| SEK m | 2020 | 2019 | 2018 |
|---|---|---|---|
| Net sales | **1,860** | 1,387 | 1,053 |
| EBITA | **190** | 146 | 114 |
| EBITA margin, % | **10.2** | 10.5 | 10.8 |
| Operating profit | **133** | 101 | 74 |
| Operating margin, % | **7.2** | 7.3 | 7.0 |
| Average number of employees | **565** | 415 | 412 |

## NET SALES BY REVENUE STREAM 2020



- *Recurring revenue 82%*
- *Services 13%*
- *Licences 3%*
- *Other 2%*

## NET SALES GROWTH COMPARED WITH 2019

+34%

## EBITA COMPARED WITH 2019

+30%

## CUSTOMER CASE

### SYMETRI CONTRIBUTING TO INNOVATIVE URBAN BUILDING

The Norwegian architect firm Dark Design Group's largest project, Økern Portal, is a sustainable office building full of innovative solutions in one of Oslo's newest city areas.

**NEED:** As a team of architects in a range of disciplines, Dark Design Group is dependent on interdisciplinary IT support to be able to collaborate as seamlessly and efficiently as possible.

**SOLUTION:** Symetri's Naviate product suite, with functions adapted to every step in construction development, facilitates implementation of requirements in standardised workflows for all parties involved.

**RESULT:** The solution quality assures modelling in complex construction projects such as Økern Portal and streamlines collaboration with other disciplines – both internally and externally.

# PRODUCT LIFECYCLE MANAGEMENT DIVISION

Product Lifecycle Management is a global provider of solutions for digitalising a product's or facility's entire lifecycle – from idea, design, simulation and construction to sale, aftermarket and recycling. For our customers this entails shorter lead times, stronger innovation, and increased efficiency and traceability.

Operations in the Product Lifecycle Management division are conducted by the subsidiary TECHNIA, one of Europe's largest providers of PLM software and consulting services. In 2020 Scanscot Technology was acquired, a Dassault Systèmes partner and Nordic leader in advanced simulation for customers in infrastructure, research and energy.

## MARKET

The division's growth is being driven by global trends such as urbanisation, the need for sustainable and efficient product development, increased regulatory requirements and demands for comprehensive traceability. Our largest markets are the Nordic countries, Benelux, the UK and the German-speaking areas of Europe.

## OFFERING

TECHNIA is a global provider of digital solutions for advanced product and production development. Our solutions contribute to efficiency improvement and quality assurance during the entire lifecycle – from construction, simulation and design to sale, aftermarket and recycling. With information digitalised and globally available in a PLM system, design and production lead times can be shortened and resource management can be optimised while at the same time ensuring the fulfilment of environmental, quality and safety requirements. The software portfolio consists of our partner Dassault Systèmes' market-leading 3DExperience platform along with proprietary, unique peripheral products and services.

## CUSTOMERS

Our customers are in industries such as telecom, manufacturing, automotive, construction and civil engineering, pharmaceuticals, life sciences, retail and energy production. In pace with growing demands for rapid innovation, traceability and customised products, a growing number of food and service companies are embracing the PLM concept. Examples of customers include Autoliv, B Braun, EDAG, Etteplan, European Spallation Source, Gordon Murray Design, Koenigsegg, Stadler Rail, Tomra Sorting, Trützschler and Vanderlande.

## COMPETITION

The division's competitors consist of other providers of digital solutions in product lifecycle management with own sales organisations, such as Siemens and PTC, as well as other Dassault Systèmes partners. In larger system integration projects, companies like Tata and Cap Gemini are competitors. Our competitive advantages include world-leading PLM know-how, close and long-term collaborations with customers and regional presence in several countries.

## NEW DIVISIONAL HEAD AND PRESIDENT TECHNIA 2021

Effective 1 January 2021, Magnus Falkman is the new head of the Product Lifecycle Management division and President of TECHNIA. Magnus Falkman succeeded Jonas Gejer, a co-founder of TECHNIA and its President from 2011 to 2020. Jonas Gejer has taken a seat on TECHNIA's board and has taken a new role as Vice President Business Development for Addnode Group.

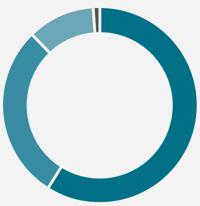
*"In 2020 our business was stable in the Nordic countries, while demand was down in the UK, Germany and the USA due to the pandemic. Lower sales volumes were countered with furloughs and a well-executed restructuring programme, which began showing positive effects toward the end of the year."*

DIVISION PRESIDENT 2011–2020 **JONAS GEJER**

## KEY RATIOS

| SEK m | 2020 | 2019 | 2018 |
|---|---|---|---|
| Net sales | **1,141** | 1,272 | 1,132 |
| EBITA | **57** | 104 | 104 |
| EBITA margin, % | **5.0** | 8.2 | 9.2 |
| Operating profit | **23** | 73 | 78 |
| Operating margin, % | **2.0** | 5.7 | 6.9 |
| Average number of employees | **654** | 644 | 555 |

## NET SALES BY REVENUE STREAM 2020



- *Recurring revenue 59 %*
- *Services 29 %*
- *Licences 11 %*
- *Other 1 %*

## GROWTH IN NET SALES COMPARED WITH 2019

-10%

## EBITA COMPARED WITH 2019

-45%

## CUSTOMER CASE

### UNIQUE PARTNERSHIP WITH SKÅNE UNIVERSITY HOSPITAL

TECHNIA is contributing to research and development in simulation methodologies with the goal to predict heart valve function following surgery.

**NEED:** Many adults and children suffer from serious heart valve diseases that require open-heart surgery, with uncertain outcomes.

**SOLUTION:** TECHNIA has developed a patient-specific virtual model that enables simulation of heart valve function.

**RESULT:** With the help of TECHNIA's model, doctors today can simulate blood flow through a simplified valve to assess the potential surgical outcome.

# PROCESS MANAGEMENT DIVISION

Process Management is a leading provider of digital solutions to the public sector. The solutions contribute to smoother case management, simplified administration and quality-assured processes in contacts between authorities and citizens. The division is also a strong actor in the social services segment.

Operations of the Process Management division are conducted by the subsidiaries Adtollo, Arkiva, Canella, Decerno, Evitbe, Forsler & Stjerna, Ida Infront, InPort, Intraphone, Kompanion, Mittbygge, Netpublicator, Sokigo, Stamford and Voice Provider. In 2020 the company Netpublicator was acquired, which develops digital services for document and meeting management, and works in close cooperation with Sokigo.

## MARKET

Demand is being driven by urbanisation along with growing demands on infrastructure, demographic development with the ageing population's needs for care, and higher demands from citizens for transparent and effective communication. Our digital solutions are used primarily by public sector actors in Sweden. We also help companies in private industry take advantage of opportunities created by digitalisation of their processes.

## OFFERING

Process Management's combined product portfolio is the answer to demand it has seen for quite some time. The division's subsidiaries develop solutions that employ automation and digital administrative support to meet the needs of citizens and customers. Owing to good operational familiarity and knowledge about directives, laws and regulations, we can quickly and efficiently develop digital solutions in close collaboration with our customers.

The offering includes digital solutions and services in areas such as:

- Document and case management
- Business planning and decision support
- E-archives
- Digitalised citizen services
- Mobile services for healthcare and nursing staff
- Geographical information systems

## CUSTOMERS

The division's customers include a large number of Swedish government agencies and operations, including all 290 of Sweden's municipalities and private companies in the financial sector as well as in the retail, construction and forest products industries. Examples of customers include the National Board of Housing, Building and Planning, Coop, Dynamic Code, the Swedish Energy Agency, the Swedish Environmental Protection Agency, Region Halland, SCA Skog, the Swedish National Board of Health and Welfare, the University of Copenhagen and the Swedish Prosecution Authority.

## COMPETITION

We have a strong position in the Swedish market for case management systems for public sector authorities and municipalities. There is currently no main competitor to the division's total offering. Examples of competing companies with somewhat similar products and services include CGI, Esri SGroup, Formpipe, Tieto and Visma. Our competitive advantages include a broad product offering combined with a long record of experience in delivering system solutions to the public sector.

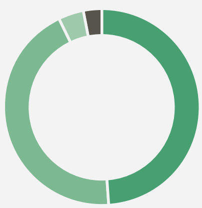
*"Demand from the public sector in Sweden remained stable in 2020. We won new contracts and grew organically with improved earnings. Our solutions support new, efficient work processes and have enabled government agencies and municipalities to maintain key societal functions despite pandemic restrictions."*

DIVISION PRESIDENT **ANDREAS WIKHOLM**

## KEY RATIOS

| SEK m | 2020 | 2019 | 2018 |
|---|---|---|---|
| Net sales | **827** | 797 | 773 |
| EBITA | **151** | 115 | 116 |
| EBITA margin, % | **18.3** | 14.4 | 15.0 |
| Operating profit | **115** | 82 | 87 |
| Operating margin, % | **13.9** | 10.3 | 11.3 |
| Average number of employees | **532** | 524 | 497 |

## NET SALES BY REVENUE STREAM 2020



- *Services, 49 %*
- *Recurring revenue, 44 %*
- *Licences, 4 %*
- *Other, 3 %*

## GROWTH IN NET SALES COMPARED WITH 2019

+4%

## EBITA COMPARED WITH 2019

+31%

## CUSTOMER CASE

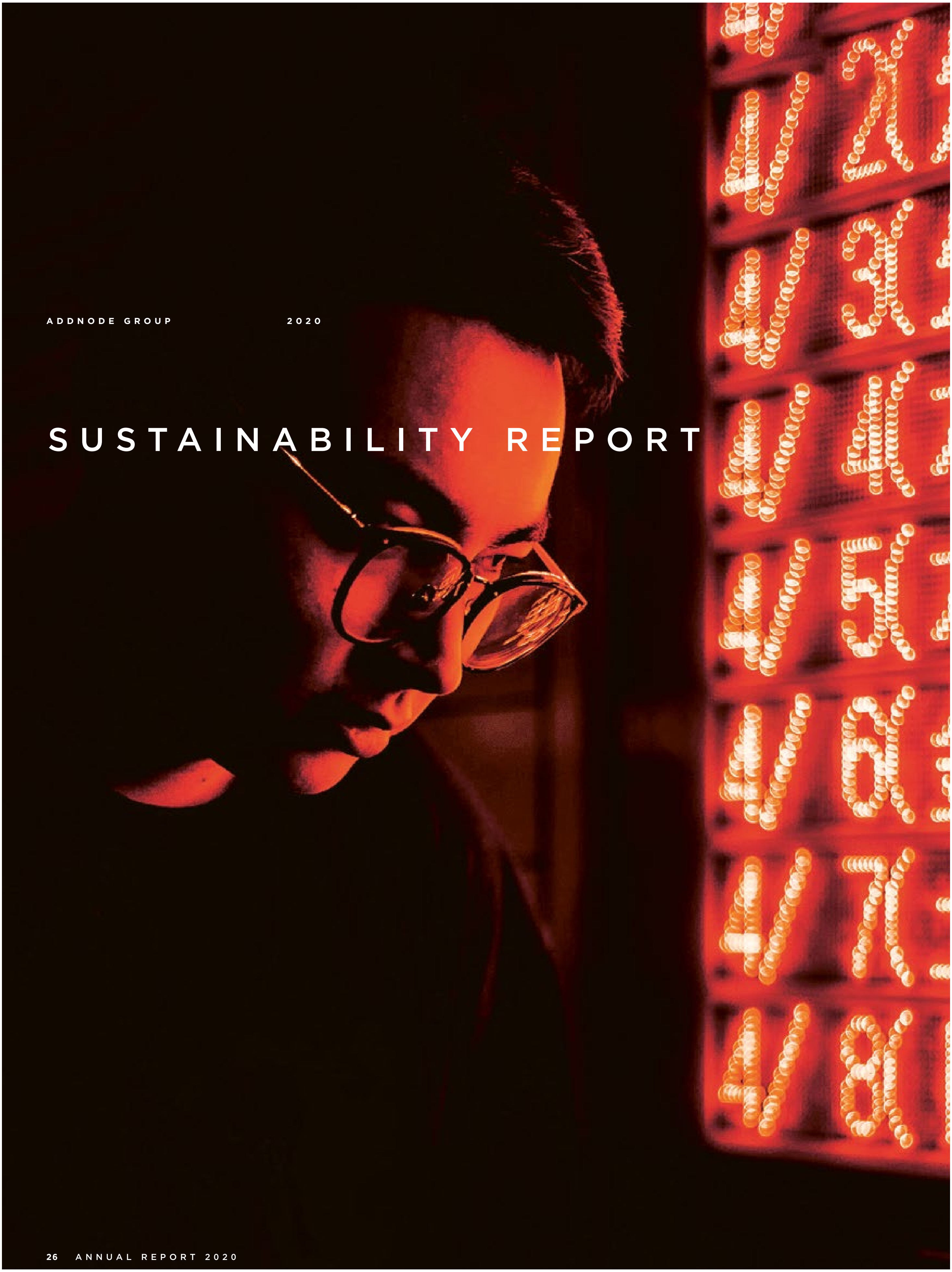
### SOKIGO SIMPLIFIES RISK GROUP MANAGEMENT

A new map solution for risk group management shows municipal citizens' age structures and form of housing, which is simplifying staffing work for Ronneby Municipality.

**NEED:** To prepare for staff planning in connection with the Covid-19 response, a need arose to be able to quickly locate where people in the municipality's risk groups lived.

**SOLUTION:** The risk group map uses information from the Swedish Tax Agency to pinpoint where individuals who are 70 or older live in the form of dots on a map.

**RESULT:** Sokigo's map solution allows staff from Ronneby Municipality to quickly find out where citizens in need of extra support and measures live.



ADDNODE GROUP 2020

# SUSTAINABILITY REPORT

# OUR LONG-TERM SUSTAINABILITY FOCUS

In 2020 Addnode Group began a systematic process of building a sustainability agenda. A sustainability working group was established with involvement from all three divisions. As a result of this work Addnode Group's sustainability focus areas were selected, and KPIs for each focus area were identified. In addition, Addnode Group's Code of Conduct and Sustainability Policy were developed. This report presents the Group's sustainability work in 2020.

**URBANISATION, DIGITALISATION AND CLIMATE CHANGE CALLING FOR ACTION**

An increasing number of sectors are demanding smart solutions to work more efficiently and more sustainably. The year 2020 was characterised by a global pandemic, which has not only revealed the interconnectedness, but also the vulnerabilities, of our global value chains and ways of running business. Companies faced challenges in having to grapple with health and safety issues on top of their daily operations. It has also become evident that climate change, digitalisation and urbanisation are trends that call for businesses to act more sustainably and to innovate solutions that help solve the complex problems of our time.

In 2015, world leaders agreed on 17 Global Sustainable Development Goals (SDGs). These goals have been set to fight inequities and address the urgency of climate change, among other things. Guided by the goals, it is also up to businesses to work towards creating a better world by 2030. Addnode Group has selected six of the Global Goals that are most relevant for its business and in which Addnode Group has the possibility to make an impact.

**SUSTAINABILITY THROUGHOUT THE VALUE CHAIN**

For Addnode Group, sustainable development is best achieved when our business generates value for our shareholders and society. Financial responsibility encompasses good financial management, efficient use of resources, and delivering consistent, long-term economic benefit to a broad range of stakeholders. Our strategy is to acquire, operate and develop entrepreneur-driven companies that help digitalise society.

In close collaboration with its customers, Addnode Group creates digital solutions that make use of software and services to build a more sustainable society. The possibility to offer customers solutions that enable them in turn to make a positive contribution to society is at the core of Addnode Group's sustainability work. The biggest impacts are achieved through Addnode Group's products and services, including design for sustainable development and circular economy, product lifecycle management, simulations for environmental and health benefits, and improved citizen involvement and dialogue. For several decades we have built strong partnerships that are based on long-term commitments and shared benefits.

**THE UN'S GLOBAL GOALS WITH THE CLOSEST CONNECTION TO ADDNODE GROUP'S FOCUS AREAS**

**SDG 3**
Good health and well-being

**SDG 5**
Gender equality

**SDG 8**
Decent work and economic growth

**SDG 9**
Industry, innovation and infrastructure

**SDG 11**
Sustainable cities and communities

**SDG 13**
Climate action

Addnode Group provides software and services with a high level of recurring revenue from support, maintenance, subscription and SaaS solutions. We take long-term responsibility for the software and services that we provide.

2020 marked a year in which we and our customers became even more digitalised in our work processes and in how we communicate internally as well as externally. With our digital solutions customers can work remotely and be even more efficient when they design and manage infrastructure, properties, products and services for their customers. The positive digitalisation effects that we witnessed in 2020 will have an impact on sustainability for us and our customers.

Addnode Group recognises its responsibility over its direct impacts – for people and the environment alike – and strives to take responsibility by both minimising negative impacts and maximising positive ones. Addnode Group is committed to fair business principles and anticorruption and to respecting human rights in its value chains – and expects the same from its suppliers and partners.

## RISKS AND OPPORTUNITIES IDENTIFIED

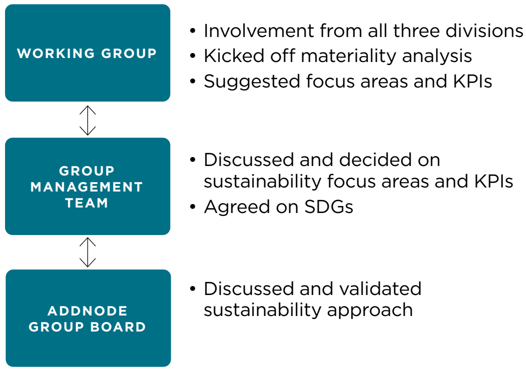
Increasing sustainability expectations brings with it both risks and opportunities. As part of the materiality analysis and process of defining Addnode Group's sustainability focus areas, we also reviewed our external environment with the aim of identifying both sustainability-related risks and business opportunities.

### SUSTAINABILITY RISKS AND OPPORTUNITIES

| RISKS | OPPORTUNITIES | FOCUS AREA |
|---|---|---|
| • Rapidly changing technology and climate change leading to new sustainability expectations on our solutions<br>• Regulatory changes and increasing cybersecurity threats may impact our solutions' compliance and our development priorities | • Leverage our position in simulation solutions by adding to the sustainability perspective<br>• Increasing regulatory requirements are creating needs for solutions that support transparency and traceability<br>• Increased requirements and expectations on digital interaction and transparency between citizens and authorities | Focus area 1, page 32 |
| • Difficulty in attracting and retaining talent if we do not engage in environmental and social matters<br>• Shortcomings in promoting diversity and an inclusive workplace could lead to us missing out on innovation opportunities | • Attract and retain talent by driving each company's sustainability agenda based on its core competence and solutions<br>• Reduce environmental impact by challenging how we meet and travel | Focus area 2, page 35 |
| • Working with partners that do not act in accordance with responsible business practice | • Being associated with partners with strong sustainability profiles that offer innovative solutions | Focus area 3, page 39 |
| • Lower profitability could impair our ability to continue to realise our strategy to invest in organic growth and acquisitions | • Continuous growth by investing in companies and solutions that offer attractive and sustainable opportunities for stakeholders | Focus area 4, page 40 |
| • Failure to comply with changing laws, regulations and other external requirements and to meet stakeholders' changing expectations | • To continue to be regarded as a trusted and resilient group of companies<br>• Sustainability framework supports and empowers our people to do better business | Focus area 5, page 41 |

## DEVELOPMENT OF A SUSTAINABILITY AGENDA

In 2020 Addnode Group started a systematic process of building a sustainability agenda for the Group. Many of Addnode Group's companies have already been working with sustainability issues, certifications and initiatives for a long time, so the work certainly did not start from scratch. There was, however, a clear need for building a uniform approach and common understanding of what the Group should focus on with its sustainability efforts and how sustainability should be communicated. A sustainability working group was established with involvement from all three divisions. The working group met several times over the spring and summer and began to establish a group level sustainability approach.




## MATERIALITY ANALYSIS INITIATED

The working group kicked off a materiality analysis, and five sustainability focus areas were identfied. During the analysis Addnode Group's most important stakeholders and their expectations were analysed. Sustainable Development Goals (SDGs) were mapped, and the most important SDGs on which Addnode Group was deemed to have the biggest impact were selected. Sustainability focus areas were discussed several times and finally decided on in the group management team. Addnode Group's Board has also been involved. During 2021 work with the materiality analysis will continue and an external stakeholder dialogue will be conducted.


### OUR MOST IMPORTANT STAKEHOLDERS

| STAKEHOLDERS | EXPECTATIONS ON ADDNODE |
|---|---|
| **Investors** | Growth, profitability and strategic acquisitions |
| **Customers** | In close collaboration with customers, create innovative and sustainable digital solutions that help customers improve their operations |
| **Employees** | Competency development, good work environment, values-based leadership |
| **Owners** | Long-term profitability and ability to respond to changing market needs |
| **Partners** | Long-term relationships and responsible partnerships |

**SUSTAINABILITY FOCUS AREAS AND KPIs**

As an outcome of the work kicked off in 2020, Addnode Group has selected five focus areas to concentrate on. These focus areas serve as the basis of our sustainability efforts.

Based on the focus areas defined, suitable KPIs for each of the areas were selected. The KPIs are to represent the KPIs that we believe are both representative for our coming work and will drive our sustainability agenda forward. In addition to these metrics, the individual Addnode Group companies can also set and implement additional KPIs. As an example, certain Group companies have already agreed on certain KPIs in the process of becoming ISO 27001 certified. The KPIs chosen are presented by focus area in the focus area sections, pages 32–41.

**1**

**Digital solutions that contribute to sustainable development**

- Innovation for sustainability
- Ensuring privacy and integrity
- Designing for sustainable development and circular economy
- Simulations for environmental and health benefits
- Improved citizen involvement and dialogue

**2**

**Care for people and the planet in our own operations**

- Diversity and gender equality
- Employee well-being and safety
- Attracting and retaining talent: values-based leadership
- Proactive and engaged employees who want to make a difference
- Environmental initiatives to reduce travel and impacts from office space

**3**

**The way we work with our partners and suppliers**

- Long-term commitments
- Fair business principles and anti-corruption
- Ensuring that we respect human rights throughout the value chain
- Supplier screening

**4**

**Long-term financial viability**

- Organic growth
- Acquisitions
- Decentralised business model
- Recurring revenue

**5**

**Sustainability management and governance**

- Code of Conduct and Sustainability Policy
- Certifications
- Communication
- Reporting

**CODE OF CONDUCT AND SUSTAINABILITY POLICY**

Another important step taken in 2020 was the development of Addnode Group's Code of Conduct and Sustainability Policy. Our Code of Conduct and Sustainability Policy lay the foundation for our sustainability work and describe how Addnode Group conducts responsible business. Continuous improvement is built into our thinking and values. We have the will and ability to change and develop over time. We aim to continuously innovate solutions that contribute to sustainable development and continuously ensure knowledge and awareness of sustainability within our organisation.

We are committed to the development of sustainability objectives and performance indicators to continuously improve sustainability of our operations.

For more information on the Code of Conduct and Sustainability Policy, visit Addnode Group's website.

**SYSTEMATIC WORK WITH SUSTAINABILITY CONTINUES**

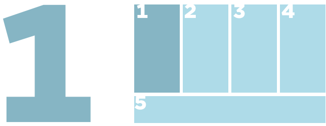
In 2021 we plan to take the next steps on our sustainability roadmap. We aim to continue developing KPIs and start collecting data from businesses. In 2021 we will continue work with our materiality analysis and deepen our views and understanding of customer expectations by conducting an external stakeholder dialogue. We plan to start implementing our Code of Conduct and Sustainability Policy and raising awareness by offering training. We aim to create an e-learning available to all employees. Furthermore, we are going to take further steps in operationalising our sustainability ambitions and enhance our business level action plans on sustainability.

**SUSTAINABILITY REPORTING**

The Board of Directors of Addnode Group AB (publ) is responsible for this sustainability report.

**SYSTEMATIC WORK WITH SUSTAINABILITY CONTINUES**

| | |
|---|---|
| ✓ Focus areas | → E-learning for Code of Conduct and Sustainability Policy |
| ✓ KPIs | → Business level action plans |
| ✓ Code of Conduct and Sustainability Policy | → External stakeholder dialogue |
| | → Developing and collecting sustainability data |




# DIGITAL SOLUTIONS THAT CONTRIBUTE TO SUSTAINABLE DEVELOPMENT

In close collaboration with its customers, Addnode Group creates digital solutions that make use of software and services to build a more sustainable society. The biggest impacts are achieved through our products and services.

Building a long-term sustainable society in a fast changing world undergoing urbanisation puts great demands on responsible and efficient use of resources. In an increasingly digitalised world, Addnode Group offers its customers digital solutions for sustainable design and product lifecycle management, helping them manage properties and facilities more efficiently, and streamline public administration. Through innovation and continuous development in close collaboration with our customers we create solutions for specific needs. With the support of digital work methods and more efficient processes, we can build a more sustainable society together with our customers.

## OPPORTUNITIES WITHIN GROWTH AREAS

Addnode Group develops and delivers software and services in four growth areas:

- Architecture, engineering and construction (AEC), and BIM
- Facility management
- Product Lifecycle Management (PLM)
- Digital government

*Architecture, engineering and construction (AEC), and BIM*

Within this area, demand is being driven by urbanisation and the need to build more efficiently and sustainably. Reducing energy consumption in new and existing buildings remains a high priority as are improving energy and material productivity and reducing waste. To improve efficiency, customers are digitalising their processes and embracing new ways of working. Regulatory authorities are, for example, requiring greater use of digital work methods based on BIM. Addnode Group provides digital solutions for sustainable design and construction, as well as BIM software.

*Facility management*

Within this area are opportunities driven by customers' ambitions to achieve more efficient management, outsource management services and authorities' environmental, health and safety requirements. Customers are increasingly searching for better systems for detailed monitoring and control as well as transparency surrounding the environmental impact of properties and facilities. Developments in this area are advancing rapidly, and with the help of modern sensor technology Addnode Group is developing, for example, systems for

### TOPICS WE WORK WITH

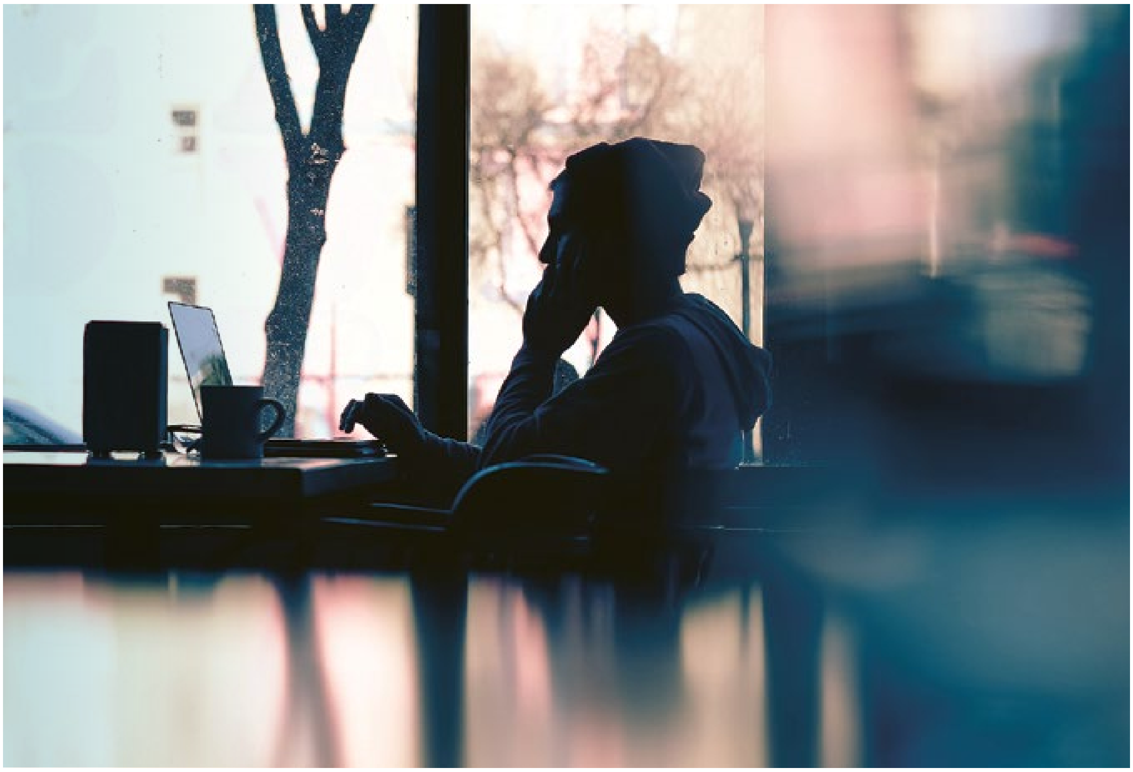
- Innovation for sustainability
- Ensuring privacy and integrity
- Design for sustainable development and circular economy
- Simulations for environmental and health benefits
- Improved citizen involvement and dialogue

### KPIs DEFINED

- Revenue from solutions sold that contribute to sustainable development
- Number of sustainability roundtables/dialogues held
- Results of customer surveys including sustainability

### PLANS FOR 2021

- Classify revenue streams by industry segments aligned with EU taxonomy
- Define KPIs for measuring innovation
- Continue developing customer dialogue



predictive maintenance, where nascent problems can be detected before they cause damage to equipment or buildings. For customers this leads both to cost savings and lower use of resources.

*Product Lifecycle Management (PLM)*
Growth is being driven by customers' efforts to continuously launch new products with good economic performance over the product lifecycle as well as by regulatory requirements on traceability and product ownership. With information collated and made easily accessible in a PLM system, lead times can be shortened, and resource handling and sourcing can be optimised at the same time as it is easier to follow up environmental, quality and safety requirements. Our offering of PLM solutions can enhance customers' ability to meet environmental sustainability goals by enabling the closed-loop development of products. Maximum amount of energy, resources and materials can be recovered from products at the traditional end of their lifecycles. Our simulation solution offering can be used to ensure that products' designs are optimised for longevity.

*Digital government*
In this area, urbanisation and demands for improved efficiency and citizen service are important drivers. Many of the solutions we offer meet the increased needs of citizens by streamlining document management or simplifying administration and improving the dialogue between authorities and citizens. In the municipal sector our systems are used to streamline everything from document and case management to administration of home care services and school bus route planning. We offer solutions ranging from smart building-permit robots that cut municipalities' processing times to the Defibrillator Register, which helps locate a lifesaving tool faster and save lives.

**CONTINUOUS WORK**
In 2021 we will continue to actively work with our sustainable solutions. We will take further steps to understand how our clients use our solutions and start classifying revenue streams by industry segments and aim to take steps towards establishing reporting aligned with EU taxonomy.

CASE – RIJKSWATERSTAAT IN THE NETHERLANDS

# Smart software supports sustainable development in the Netherlands

**Rijkswaterstaat (the Directorate-General for Public Works and Water Management) is responsible for building and maintaining key road and waterway infrastructure in the Netherlands. Sustainability is a priority focus area for the complex projects, where Addnode Group's subsidiary TECHNIA is providing digital solutions for structuring and organising the information flow between all involved actors.**

*As a defence against shoreline erosion, sandbanks are built up in the Netherlands' deltas, which are of major importance for biodiversity.*

The Netherlands is a densely populated country in which 40 per cent of the area is below sea level. Rising precipitation, rising sea levels and higher flows in the major rivers coursing through the country are putting special demands on maintaining well-working flood control and transport routes.

As the responsible government agency, Rijkswaterstaat is striving to make the country's infrastructure and living environments as sustainable and safe as possible for the people and animals who live there. This is reflected in several ongoing projects that Rijkswaterstaat is conducting along Dutch roads and waterways today.

### INNOVATIVE INFRASTRUCTURE

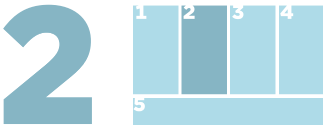
One way of addressing the country's problem of shoreline erosion involves building up sand banks in the large delta where the floods run out to the sea. It provides a very important habitat for birds and seals, which are dependent on the special natural habitat to find food and shelter. Another example is the so-called ecoducts, or nature bridges, that are built over numerous national highways to give animals a way to cross in a safe manner.

"Similar, innovative infrastructure projects exist throughout the Netherlands," says Jeroen van Geijlswijk, product manager for Alfamail software at TECHNIA Benelux. "We have been working together with Rijkswaterstaat for 12 years and support their sustainable development with digital solutions that structure and streamline project communication between principals and building contractors."

### DIGITALISATION PROVIDES CONTROL

This involves everything from financial information and approval of invoices to addressing deviations and optimising material use and resources in construction projects.

"Previously a lot of this was done on paper," Jeroen explains. "With the help of our software, manual tasks have been converted into digital processes. It saves time and provides better traceability and cost control, as all information is gathered in one place, seamlessly accessible for everyone involved. Every step of the project can be followed up to see what changes have been made and who had approved what."




# CARE FOR PEOPLE AND THE PLANET IN OWN OPERATIONS

Addnode Group consists of entrepreneur-driven companies with responsible and proactive employees who want to make a difference.

We take responsibility for our own operations, both for our employees and for the environment. We believe that by having values-based leadership and decentralised responsibility and authority we attract and maintain the best talent. We work actively to improve diversity and equality at the workplace and invest in employee well-being and safety. The environmental impacts from our own operations come mainly from office space and business travel. We are committed to numerous environmental initiatives to reduce the impacts.

## EMPOWERED EMPLOYEES WITH AN ENTREPRENEURIAL AND RESPONSIBLE SPIRIT

Addnode Group's employees have roots in more than 30 countries on several continents. Our people are the foundation of our competitive strength, where a combination of qualities such as local presence, industry expertise and systems knowledge are instrumental in our ability to continue delivering products and services that meet our customers' needs.

In our decentralised model our subsidiaries have a high degree of freedom and responsibility for their own business, while also being part of a major group of companies. The aim is to have proactive and engaged employees who want to make a difference.

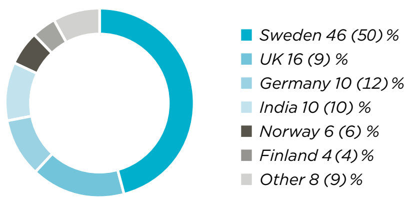
We strive to empower people to take responsibility and nurture an entrepreneurial spirit. The ability to take the initiative in day-to-day work is a key driving force in our success.

## OUR VALUES

Our values guide our decision-making and the way we run our business:

- We care about our customers, employees, partners and other stakeholders, and we take a long-term approach to our commitments.
- We create innovative solutions for our customers' needs.
- We create value through proactive employees who want to make a difference.
- We strive for simplicity in everything we do, meaning that we don't get lost in details and inefficient organisation.

## EMPLOYEES PER COUNTRY




### TOPICS WE WORK WITH

- Diversity & gender equality
- Employee well-being and safety
- Attracting and retaining talent: values-based leadership
- Proactive and engaged employees who want to make a difference
- Environmental initiatives to reduce travel and impacts from office space

### KPIs DEFINED

- Per cent of women in management teams
- eNPS
- $Co_2$ from air travel and car use by number of employees
- Per cent of offices taking (specified) environmental and social actions

### PLANS FOR 2021

- Measure and collect data from businesses
- Start reporting on KPIs

**OUR RESPONSIBLE RESPONSE TO COVID-19**

2020 was a year of very challenging work conditions and circumstances. Our employees' safety and well-being has been our priority during the pandemic. We have followed the national guidelines and restrictions provided by governments and adjusted our internal instructions accordingly.

We have recognised the need to enable efficient work from home – by offering digital solutions, ensuring that physical work environments are healthy and by adapting leadership and team activities to the changed communication and meeting needs. Although the vast majority of employees have been working from home for a long period of time, they have managed to maintain a dialogue with customers and colleagues through virtual meetings and other solutions. Several companies in the Group have conducted digital kick-offs for all employees and have had informal get-together events on a weekly basis. We have also offered other services such as online work-outs and the possibility to reach out to therapists to talk about personal challenges during the pandemic.

**EMPLOYEE WELL-BEING**

As a follow-up of employee well-being, all our subsidiaries, except for the recently acquired businesses, have conducted employee surveys. As new companies become part of the Group, processes are put in place to conduct employee surveys on a recurring basis. The results of the employee surveys are followed up by management teams of the subsidiaries, by divisional boards and by the Parent Company's Board of Directors. In spite of the challenging work conditions, employee survey results improved during 2020.


*Screenshots from TECHNIA's first ever all employee virtual kick-off in January 2021.*

### DIVERSITY AND GENDER EQUALITY

We value and strive to develop diversity and equality among our employees. We do not tolerate discrimination in employment practices based on race, gender, transgender identity and expression, disability, age, language, faith, political or other opinion, national or social origin, property, birth or any other status. Harassment, threats or other unsuitable conduct are not permitted. One challenge that we share with other companies in the industry entails achieving a more even balance between men and women among our employees and in the management teams. Together with the IT sector and educational institutions, we are working on making ourselves more accessible in order to achieve a better gender balance.

Starting in 2021 we will be monitoring the number of women in management teams as a KPI.

**GENDER STATISTICS**

| | |
|---|---|
| Share of women on the Board, % | 43 |
| Share of women on Group Management Team, % | 17 |
| Share of women on management teams, % | Start measuring 2021 |
| Share of women (all employees), % | 23 |

### DIRECT ENVIRONMENTAL IMPACTS

Addnode Group's largest impact is the positive handprint we make through the systems we supply to our customers, which they use to drive societal development forward in a more sustainable manner. The Group's direct negative environmental impacts from its own operations come mainly from the offices we work in, the electricity we use and the transports we take.

In our decentralised organisation, each of the divisions draws up local policy documents that are adapted to the needs of their operations with the goal of reducing our negative environmental impacts.

Addnode is committed to numerous environmental initiatives to reduce its direct environmental impacts, ranging from recycling at offices, using renewable energy when possible, choosing environment-friendly cleaning services and offering local and organic food at events. During 2020, business travel was naturally dramatically reduced due to the global pandemic. 2020 has taught us to be even more digital in our work processes and to use more advanced ways for digital communication. With these learnings in mind, we continue to travel to meet customers and colleagues when possible, but the pandemic has certainly challenged us to find new ways of meeting and travelling.

**In 2021 we will begin measuring the number of offices that are taking measures to, for example:**

- Recycle at offices
- Choose renewable energy when possible
- Improve energy efficiency
- Choose environment-friendly cleaning
- Engage in supporting the local community

### WE GIVE BACK TO SOCIETY

We engage ourselves in the countries in which we work and support local aid projects. For example, in India TECHNIA supports Akanksha, a non-profit organisation that operates schools for children from low income areas. In Sweden, Sokigo supports Missing People with a digital solution for planning and following up on their searches for missing persons. Symetri is engaged in Engineers Without Borders. In our decentralised governance model it is common that employees vote on which organisation they want to donate money to instead of receiving a Christmas present, and that their respective companies top this off with their own contributions. In 2020 Addnode Group companies made donations to organisations such as Children's Rights in Sweden (BRIS), Stadsmissionen, UNHCR, Vid din sida and WWF.

BREAK IT IMPACT CHALLENGE

# Engaging employees through climate-smart initiatives

**Addnode Group's subsidiaries Decerno and Sokigo capped off 2020 by conducting a systematic review of their operations' environmental impacts. During a five-week period they participated in the Breakit Impact Challenge, to conduct a climate analysis of everything from travel and energy consumption to suppliers and business models.**


*During the Breakit Impact Challenge, companies worked with five challenges over a 30-day period: climate smart travel, sustainable workplace, green suppliers, sustainable business model and climate compensation.*

Digitalisation is at the core of Decerno's and Sokigo's respective offerings. The companies provide business systems, solutions and services that, for example, streamline case management, enable remote work and optimise car transports to shorten routes and minimise fuel consumption.

"Our solutions help customers reduce their environmental impacts and be more sustainable, but there is always more that can be done to take responsibility in our own operations, as well," says Mats Dahl, President of Decerno. "When we heard about the Breakit Impact Challenge, we saw it as a good opportunity to take a look at the company and find areas where we can be even better."

#### FAST DIGITAL TRANSITION

The challenge entailed a five-week systematic review of various parts of operations – travel, offices, suppliers and business model – culminating with a measurement of the company's climate impact and compensating for it through offsets.

Says Anders Sundin, President of Sokigo: "Compared with a normal year, we had a very low level of travel, but it is remarkable to see how big an impact air travel has. As a result of the pandemic we were forced to quickly change over to virtual meetings, and we have now learned from that experience. Going forward we will think more about when in-person meetings are necessary and when it is beneficial to meet virtually."

#### DEMANDS ON SUPPLIERS

In addition to an updated travel policy, the systematic review in the Breakit Impact Challenge resulted in new routines that reduce energy consumption in offices and more communication about sustainability on the company's intranet and website. Both Sokigo and Decerno have also tightened their purchasing policies to ensure that suppliers are conducting active environmental work.

"This has engaged the employees and affects everyone who has had to make a purchase," says Mats Dahl. "But we see that the greatest engagement and greatest opportunity to make a difference involves the assignments we take on. At Decerno we have long had an ethics policy that says that what we do must create a societal benefit, and therefore we have turned down customers active in weapons, alcohol and tobacco. Now we are going a step further and saying that we not only exclude certain businesses, but will also actively search for assignments that have a positive impact on the climate and sustainability."

3

# HOW WE WORK WITH PARTNERS AND SUPPLIERS

Addnode Group focuses on long-term collaboration and has built sustainable supplier models to take responsibility throughout the supply chain.

Addnode Group companies' corporate culture and knowledge about their own markets is an important part of the Group's success, and maintaining clear leadership that places high demands on ethical behaviour and respect for each individual is fundamental to our values. We want this to permeate the entire supply chain and therefore have the same high demands on our suppliers as on our partners. We commit, and we expect them to commit, to fair business principles and anti-corruption, and to respect human rights in their value chains.

### LONG-TERM RELATIONSHIPS WITH PARTNERS

Our way of doing business is to build long-term relationships and partnerships with our most important suppliers. With some of them our shared history goes back for decades.

### COMMITMENT TO FAIR BUSINESS PRINCIPLES AND ANTI-CORRUPTION

Based on our Code of Conduct and Sustainability Policy, all forms of corrupt conduct are strictly prohibited. Corruption includes bribery, accepting improper gifts and entertainment, facilitation and protection payments, money laundering and nepotism. We always adhere to applicable competition laws that prohibit agreements and arrangements between competitors that restrict competition. This includes price-fixing, the dividing of customers and geographical markets, cartels and abuse of dominant position.

### ADDNODE'S CODE OF CONDUCT AND SUSTAINABILITY POLICY

Deliveries to our customers are conducted, for the most part, through our own employees, which means that we have good insight into the work environment. Sometimes we also use sub-consultants in certain projects and, considering the Group's continued growth internationally, we need to ensure a common understanding of fair business principles, anti-corruption and respect for human rights throughout the value chain. Developing a uniform Code of Conduct that also includes our suppliers is therefore prioritised in our work with establishing a group wide Code of Conduct and Sustainability Policy. The Code of Conduct and Sustainability Policy are based on internationally recognised norms. We support and respect human rights as set out in the International Bill of Human Rights and the International Labour Organisation's Declaration on Fundamental Principles and Rights at Work.

### SUPPLIER SCREENING

During the year, some of our larger companies started to systematically evaluate their suppliers with respect to the company's own Code of Conduct. The ambition is for all subsidiaries to introduce similar supplier screenings to ensure compliance with the Code of Conduct.

#### TOPICS WE WORK WITH

- Long-term commitments
- Fair business principles and anti-corruption
- Ensuring that we respect human rights throughout the value chain
- Supplier screening

#### KPIs DEFINED

- Number/purchasing value of total suppliers screened against the Code of Conduct

#### PLANS FOR 2021

- Continue developing the supplier screening process

4

# LONG-TERM FINANCIAL VIABILITY

Addnode Group creates sustainable growth in value over time by continuously acquiring new companies and actively supporting our subsidiaries to drive organic growth.

Financial responsibility encompasses good financial management, efficient use of resources, and delivering consistent, long-term economic benefit to all stakeholders. We create long term financial viability by continuously acquiring complementary companies and driving organic growth. The strategy is supported by values-based leadership and decentralised responsibility and authority. A stable base of recurring revenue and strong cash conversion form the basis for a sound financial position.

## ENSURING BUSINESS CONTINUITY DURING THE PANDEMIC

During 2020 we benefited from our agility and capability to continuously update scenarios and action plans to ensure operational and financial flexibility. Continuity in business has been ensured by proactive and engaged leaders and employees who have embraced the challenge of finding new ways of working while continuing to do business.

During 2020, as an immediate response to the pandemic, Addnode Group started working to reduce costs by adopting government-backed initiatives such as short-term furloughs, reduced social security costs and compensation for sick leave. We also implemented voluntary salary reductions in the management teams. To respond to lower demand in the PLM division, a restructuring programme to reduce operating costs was launched.

## DECENTRALISED BUSINESS MODEL DRIVING ORGANIC GROWTH

Addnode Group is well positioned to benefit from the strong global trends driving organic growth. With its leading market positions, long-term customer relationships and business models with a stable base of recurring revenue, Addnode Group even managed to grow during a challenging year of global pandemic. Our subsidiaries have a high degree of freedom and responsibility for their own businesses, and their ability to take initiative in day-to-day work has proven to be a key driving force in our success.

## VALUE-CREATING ACQUISITIONS

Acquisitions of complementary businesses is a central part of Addnode Group's strategy. We actively search for acquisition candidates and discuss with business owners interested in becoming part of the Group. We have successfully integrated more than 60 companies since 2003. We have plans to review our acquisition criteria and are considering embedding sustainability aspects even stronger into the criteria.

### TOPICS WE WORK WITH

- Organic growth
- Acquisitions
- Decentralised business model
- Recurring revenue

### KPIs DEFINED

- Growth >10 per cent
- EBITA margin >10 per cent
- Recurring revenue as per cent of total revenue

### PLANS FOR 2021

- Continue to deliver on financial targets and pursue acquisition opportunities

# 5

# SUSTAINABILITY MANAGEMENT AND GOVERNANCE

Addnode Group has a decentralised organisation where significant responsibility is given to each division and subsidiary, and our sustainability work is closely connected to the Group's overarching management model.

Addnode Group is structured into three divisions with entrepreneur-driven companies that have the freedom to run their own operations. Our management model delegates responsibility with the authority to act, but the Group's common policies are implemented in each company to support internal control and compliance.

## CODE OF CONDUCT AND SUSTAINABILITY POLICY

During 2020 Addnode Group's Code of Conduct and Sustainability Policy were developed. The policy lays the foundation for our sustainability work as well as the guidelines for our daily conduct in a number of important areas, including care for people, society and the environment.

In 2021 we will start the first round of implementation and roll out of the Code of Conduct and Sustainability Policy. We aim to develop an e-learning to ensure effective implementation and ensure effective follow-up.

## MANAGEMENT SYSTEMS AND CERTIFICATIONS

The decentralised organisation means that each division formulates local policy documents that are adapted to the needs of the business, with the goal of strengthening quality and safety, as well as reducing our negative environmental impacts. Several of our subsidiaries have established business-specific Codes of Conduct and policies, such as purchasing policies and travel policies, to guide their sustainability work.

For many of our subsidiaries, certifications form the backbone of managing activities and furthermore are often prerequisites for market entry. The subsidiaries TECHNIA and Service Works Group are certified according to the ISO 9001 quality management system. Service Works Global is certified according to ISO 27001 for its information security management system, and parts of TECHNIA are certified according to ISO 14001 for its environmental management. The subsidiaries Sokigo and Decerno are certified according to FR 2000, an integrated management system for quality, the environment, work environments and recruitment.

## WHISTLEBLOWER FUNCTION

Addnode Group's whistleblower function gives everyone an opportunity to report suspicions of serious improprieties. We encourage employees to first turn to their supervisors. If they feel they cannot openly report their information, they also have the opportunity to report suspicions to the Board of Directors through the Chair of the Audit Committee. We have plans to develop our whistleblower function so that anyone can report anonymously in the future.

### TOPICS WE WORK WITH

- Code of Conduct and Sustainability Policy
- Certifications
- Sustainability communication and reporting

### KPIs DEFINED

- Per cent of employees who have completed the Code of Conduct and Sustainability Policy e-learning

### PLANS FOR 2021

- Launch Code of Conduct and Sustainability Policy
- Develop e-learning and start roll-out

# AUDITOR'S OPINION REGARDING THE STATUTORY SUSTAINABILITY REPORT

To the Annual General Meeting of Addnode Group AB (publ), corporate identity number 556291-3185

### ENGAGEMENT AND RESPONSIBILITY

It is the Board of Directors who is responsible for the statutory sustainability report presented on pages 26-41 for the year 2020 and that it has been prepared in accordance with the Annual Accounts Act.

### THE SCOPE OF THE AUDIT

Our examination has been conducted in accordance with FAR's auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is substantially different and less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

### OPINION

A sustainability report has been prepared.

Stockholm, 25 March 2021

PricewaterhouseCoopers AB

**Anna Rosendal**
Authorised Public Accountant

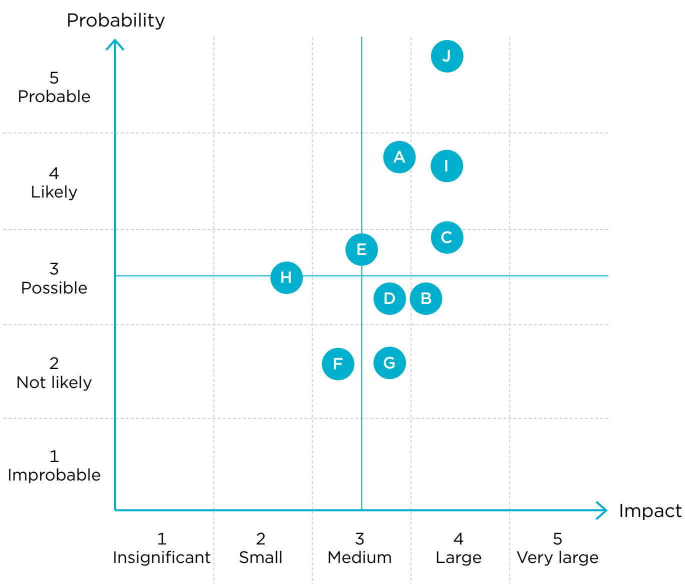
# OUR WORK WITH **RISKS AND RISK MANAGEMENT**

**CONTINUOUS RISK MANAGEMENT**

All business activities involve risk-taking. Systematic and structured risk management combined with Addnode Group's strategy and business model contributes to good diversification of risk. Risks are managed at several levels within the Group, and the Board of Directors analyses and ensures which risks must be managed based on documentation provided by the President and Group Management. Evaluation is performed at least twice a year.

Group Management is responsible for the continuing risk management activities in the respective areas of responsibility. The divisional and subsidiary heads are responsible for managing the opportunities and risks in their respective operations, for ensuring that routines are in place in accordance with the Group's policies and rules, and for monitoring compliance with and follow-up of these policies and rules.

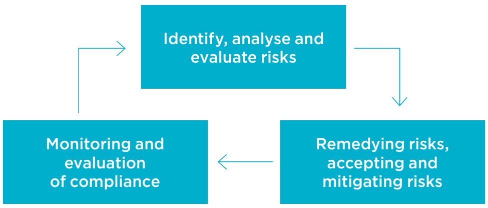
**RISK ANALYSIS OVERVIEW**

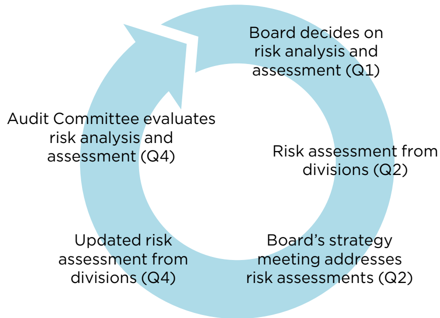



**Business risks**

- A Business cycle and macro risks
- B Software and technology
- C Partners
- D Competition
- E Organisation and employees
- F Acquisitions
- G Compliance
- H Project commitments
- I IT/cybersecurity
- J Pandemic

## RISK PROCESS




**Probability of occurrence (1–5)**
**1. Improbable 2. Not likely 3. Possible 4. Likely 5. Probable**

**Impact on business of occurrence (1–5)**
**1. Insignificant 2. Small 3. Medium 4. Large 5. Very large**

| | Business risks | Description of potential risks | | | How Addnode Group manages the risks |
|---|---|---|---|---|---|
| A | Business cycle and macro risks | The general view of the external operating environment and economy may affect customers' willingness to invest and demand. | 4 | 3 | Addnode Group addresses these risks by conducting business in both the private and public sectors and in several different markets. A high share of recurring revenue and a balanced customer structure provide stable earnings over time. |
| B | Software and technology | New ways of working, behaviours, and rapidly changing technology may lead to changes in customers' requirements. | 3 | 4 | Addnode Group addresses these risks by having close customer relationships and developing software to gain an understanding of customers' needs and market shifts. |
| C | Partners | Our partners may change business models and terms, which affects our earnings capacity. | 3 | 4 | We have well established and strategic collaborations with numerous suppliers of IT platforms and software. Our earnings capacity is thereby not dependent on any single partnership. |
| D | Competition | Demand for and sales of our software and services may decline as a result of greater competition. | 3 | 3 | Addnode Group addresses competition risk by being a leading player in selected markets. We have close relationships with our customers, and we are continuously developing our offerings together with them and with their needs in focus. |
| E | Organisation and employees | Ability to recruit and retain competent people. | 3 | 3 | Every subsidiary within the Group is responsible for its own competence succession. The individual companies have a recruiting advantage through their entrepreneur-driven brands at the same time that they belong to a financially stable group. |
| F | Acquisitions | Failure to assess and integrate acquired companies. | 2 | 3 | Acquisitions are a central part of Addnode's strategy. Acquired companies are subject to a tried-and-tested acquisition process in which the Board and management participate from the start and where calculations do not include synergies. |
| G | Compliance | Ability to comply with laws, regulations and other external requirements. | 2 | 3 | Addnode Group closely monitors developments in legislation, regulations and statutes that apply for the respective markets in which the Group has operations. |
| H | Project commitments | Losses on project commitments. | 3 | 2 | An inability to implement and deliver on projects may affect customer relationships and have negative effects on profitability and growth. Addnode Group continuously follows up project commitments to evaluate and limit their associated risk. |
| i | IT/cyber-security | Dependence on ability to offer customers reliable IT solutions and having a secure internal IT structure. | 4 | 4 | Operational disruptions, cyberattacks and theft of information undermine the market's trust in us and may cause substantial financial losses. Addnode Group works continuously to prevent and counter the negative effects of these. |
| J | Pandemic | In a short period of time, a pandemic can totally change the conditions for doing business. | 5 | 4 | Take fast action to be able to continue conducting operations in a way that is safe for the employees. Use systems for short-term furloughs and exercise cost restraint. Ensure access to liquid funds and monitor developments closely. |

**Sustainability risks are described on page 28, and financial risks are presented in Note 36 on pages 109–112.**

*"During a year dominated by the coronavirus pandemic, Addnode Group generated strong cash flow and maintained a good financial position."*

# CFO'S COMMENTS
# FINANCIAL STABILITY AND STRONG CASH FLOW

**2020 was dominated by the coronavirus pandemic and its impacts on society and the global economy. Addnode Group's divisions were impacted to varying degrees. Despite challenging conditions, the Group managed to deliver growth in sales and improved EBITA as well as strong cash flow.**

### Achievement of financial targets

Addnode Group continued to show growth in net sales and achieved the long-term target of 10 per cent growth also in 2020. Total growth was 11 per cent. Acquired growth was 17 per cent, while organic growth was negative, at -6 per cent.

We nearly reached our target for an EBITA margin of 10.0 per cent, posting a margin of 9.4 per cent for 2020. The decrease in new sales was parried by short-term furloughs and other cost-cutting measures.

During a year dominated by the coronavirus pandemic, Addnode Group generated strong cash flow and maintained a good financial position. The Board of Directors proposes a dividend of SEK 2.50 per share, entailing that the target to pay a dividend of at least 50 per cent of profit after tax has been achieved.

### Scenarios and measures for greater visibility

As soon as it became clear that the pandemic would impact society as a whole and the global economy, we saw a need to swiftly estimate how operations could be affected and what the financial impacts might be. We therefore drew up various scenarios and tried to estimate the impacts on earnings and cash flow. Additional uncertainty was added by the difficulty to assess how long the pandemic would last. Despite the uncertainty, we felt assured that we had been diligent in our work, and based on these scenarios we drew up action plans. Updates were carried out on a regular basis throughout the year to ensure operational and financial flexibility.

To be able to retain our employees and secure competence despite the crisis, we took advantage of the opportunity to use short-term employee furloughs as well as other government assistance measures such as lower social security taxes and compensation for sick pay. Within the central finance function we quickly built up a model for following up cost savings, which became a key element in ensuring that the right activities have been taken in operations.

From the onset in 2020 we initiated a new process for cash flow forecasts. When the liquidity issue quickly came into focus due to the pandemic, we further developed this process and increased the frequency of reporting. All subsidiaries in the Group reported cash flow forecasts every other week during the period in which uncertainty was greatest.

Another measure that we quickly intensified was driving in customer payments in time. This entailed both a sharpening of the ongoing routines as well as intensified activity surrounding invoices that were past-due some time. This work yielded good results, and the share of past-due customer invoices is now lower than before the pandemic. Nor did we confirm any significant bad debt losses in 2020.

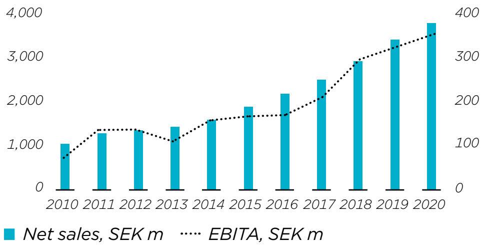
**Lotta Jarleryd**
CFO

# ADDNODE GROUP **AS AN INVESTMENT**

## 1 ACQUISITION-DRIVEN GROWTH STRATEGY

Addnode Group's strategy is to create growth in value by continuously acquiring new businesses and actively supporting companies to drive organic growth. We have carried out more than 60 acquisitions during the last 15 years, entailing that we have built up great experience and refined our acquisition process over time. We have proven that we can grow with good profitability. Average annual growth in net sales during the period 2010–2020 was 14 per cent.

### PROFITABLE GROWTH



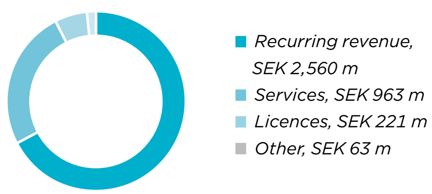

## 2 SUSTAINABLE DIGITAL SOLUTIONS

Addnode Group provides digital solutions for design, simulation, product data information and case management. Global trends such as digitalisation, urbanisation and sustainability are driving demand for our solutions. Regulatory development is also putting ever-higher demands on transparency and traceability. We have seen the pace of digitalisation accelerate during the Covid-19 pandemic, both in the business world and especially in the public sector.

## 3 ATTRACTIVE BUSINESS MODEL

Addnode Group's business model entails that recurring revenue accounts for roughly 65 per cent of consolidated net sales. Our services are usually directly related to the digital solutions we offer, which means that customers often return for advice on further development and integration with other systems. We have strong cash flow generation owing to a large share of advance payments at the start of each year and a low capex need other than product development.

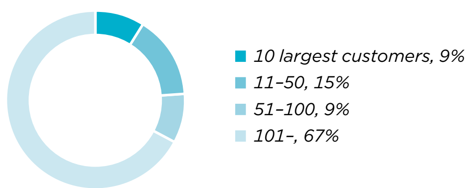
### REVENUE BY TYPE, SEK M




## 4 DIVERSIFICATION SPREADS RISK

Addnode Group's operations and offering are diversified in many ways, which reduces inherent risk. We are active in numerous geographic markets, and our solutions are in demand among customers in both the private and public sectors. Our portfolio of niche offerings is directed at customers in many different industries. We are not dependent on individual customers, but we have built many long-term customer relationships.

### REVENUE BY CUSTOMER SIZE, %



# SHARE DATA

Addnode Group's Class B shares are listed on Nasdaq Stockholm, where they are traded under the symbol ANOD B. On 30 December 2020 the company had 6,826 shareholders (5,872), and foreign ownership in the company was 20 per cent (22). The share of institutional ownership was 70 per cent (70).

### SHARE PRICE DEVELOPMENT

At year-end 2020 Addnode Group's shares were quoted at a price of SEK 286.00 per share (178.50). The highest price paid in 2020 was 286.00 (30 December) and the lowest was SEK 123.00 (19 March). At year-end the company's market capitalisation was SEK 9,560 m (5,967). Trading volume in Addnode Group shares on Nasdaq Stockholm in 2020 was 10,722,077 (7,044,176), corresponding to average daily turnover of 42,548 (28,177) shares per trading day.

### SHARE DATA

The number of registered shares in Addnode Group was 33,427,256 on 30 December 2020, including 987,174 Class A shares and 32,440,082 Class B shares. A-shares carry entitlement to ten votes each, and B- and C-shares carry entitlement to one vote each. Addnode Group's shares are denominated in Swedish kronor (SEK), and the share quota value is SEK 12. Class A and B shares carry entitlement to dividends. Class C shares do not carry entitlement to dividends. No Class C shares were in issue as per 30 December 2020.

### OWNERSHIP STRUCTURE

The largest shareholders in Addnode Group AB as per 30 December 2020 are shown in the table on page 50. The number of shareholders as per 30 December 2020 was 6,826 (5,872).

### SHARE-SAVINGS, OPTION AND CONVERTIBLE PROGRAMMES

Addnode Group does not have any outstanding share-savings, option or convertible programmes.

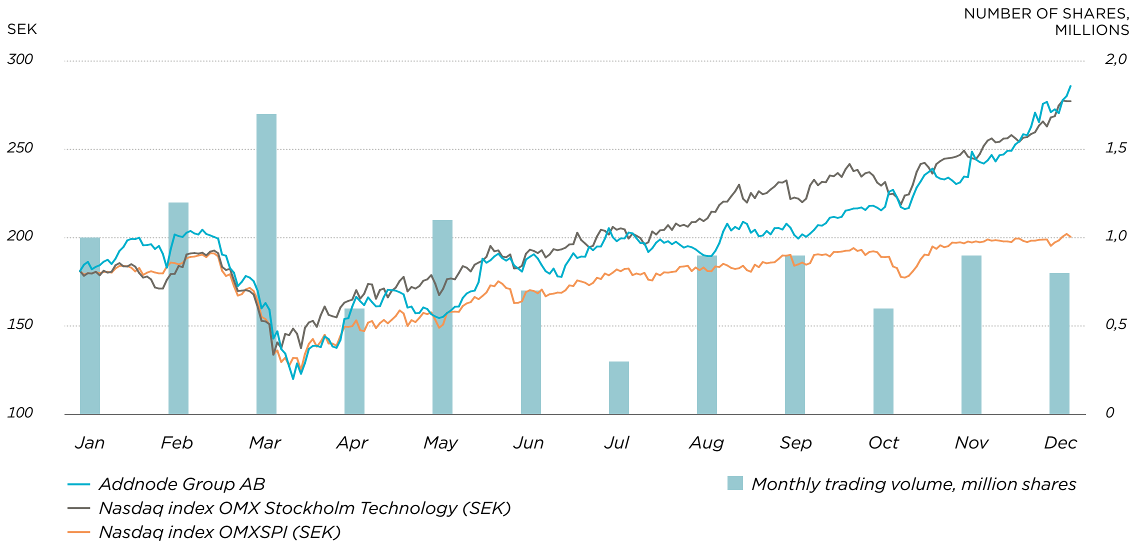
### DIVIDEND POLICY

Addnode Group's policy is to distribute a minimum of 50 per cent of consolidated net profit to the shareholders, provided that the company's net cash is sufficient to operate and develop the business.

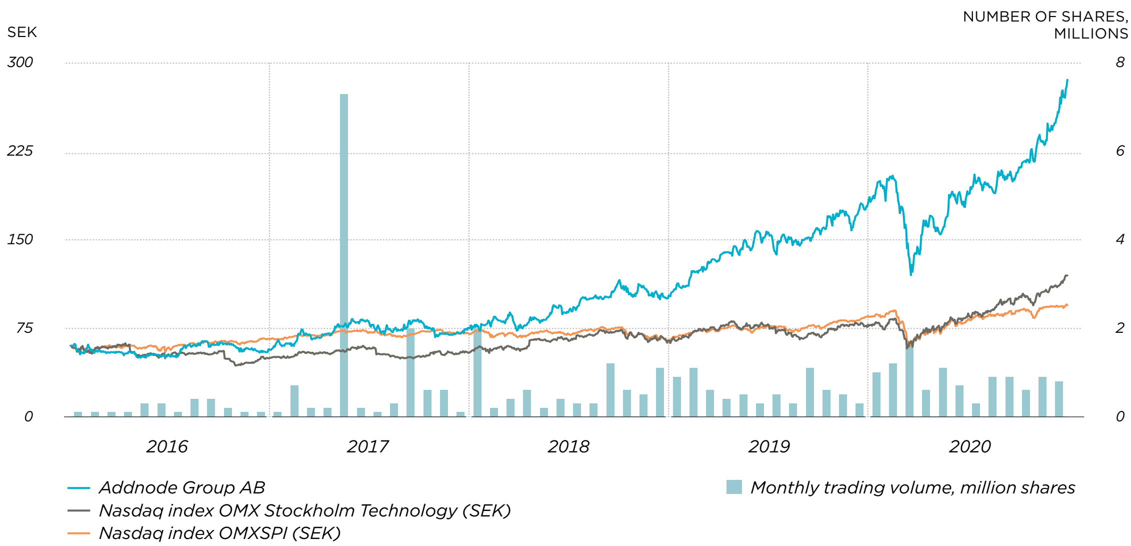
### DIVIDEND PROPOSAL

The Board of Directors proposes that the Annual General Meeting vote in favour of a dividend of SEK 2.50 per share (–) for the 2020 financial year, corresponding to a total dividend of SEK 84 m (–). The assessment is that after payment of the proposed dividend, the company will have sufficient funds to be able to achieve its financial targets. Monday, 10 May 2021 has been proposed as the record date for payment of dividends. If the Annual General Meeting votes in favour of the proposal, it is expected that dividends will be sent out on Friday, 14 May 2021.

## SHARE PERFORMANCE AND TRADING VOLUME 2020




## SHARE PERFORMANCE AND TRADING VOLUME 2016–2020



### SHARE CAPITAL DEVELOPMENT – ADDNODE GROUP 2010–2020

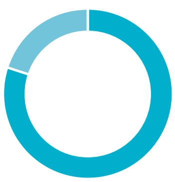
| Year | Transaction | Number of shares after transaction | Total share capital after transaction, SEK |
|---|---|---|---|
| 2010 | Non-cash share issue as partial payment for acquisitions of 100% of Decerno AB, Tekis AB and Mittbygge AB | 28,145,408 | 337,744,896 |
| 2011 | New share issue for share-savings programme | 28,819,632 | 345,835,584 |
| 2013 | Non-cash share issue – partial payment for acquisition of 100% of Abou AB | 28,916,740 | 347,000,880 |
| 2013 | Non-cash share issue – partial payment for 100% of Joint Collaboration AS | 30,088,517 | 361,062,204 |
| 2015 | Non-cash share issue – partial payment for acquisition of 100% of Transcat GmbH | 30,427,256 | 365,127,072 |
| 2018 | New share issue – enable continued acquisitions and growth | 33,427,256 | 401,127,072 |

### SHAREHOLDERS – 30 DECEMBER 2020

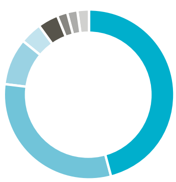
| Owners | Number of A-shares | Number of B-shares | Total number of shares | Share of capital, % | Number of votes | Share of votes, % |
|---|---|---|---|---|---|---|
| Aretro Capital Group AB[1] | 625,332 | 1,584,624 | 2,209,956 | 6.6 | 7,837,944 | 18.5 |
| Verg AB | 361,667 | 0 | 361,667 | 1.1 | 3,616,670 | 8.6 |
| Swedbank Robur funds | | 3,172,879 | 3,172,879 | 9.5 | 3,172,879 | 7.5 |
| Odin funds | | 2,973,846 | 2,973,846 | 8.9 | 2,973,846 | 7.0 |
| SEB Fonder | | 2,721,447 | 2,721,447 | 8.1 | 2,721,447 | 6.4 |
| Handelsbanken funds | | 1,899,602 | 1,899,602 | 5.7 | 1,899,602 | 4.5 |
| Fjärde AP-fonden | | 1,673,164 | 1,673,164 | 5.0 | 1,673,164 | 4.0 |
| Andra AP-fonden | | 1,642,974 | 1,642,974 | 4.9 | 1,642,974 | 3.9 |
| Nordea funds | | 1,154,517 | 1,154,517 | 3.5 | 1,154,517 | 2.7 |
| Other shareholders | 175 | 15,617,029 | 15,617,204 | 46.7 | 15,618,779 | 36.9 |
| **Total** | **987,174** | **32,440,082** | **33,427,256** | **100.0** | **42 311 822** | **100.0** |

*1) Aretro Capital Group AB is owned jointly via companies by Addnode Group's Chairman, Staffan Hanstorp, and Jonas Gejer. Jonas Gejer served as President of the Product Lifecycle Management division and President of Addnode Group's subsidiary TECHNIA AB during the years 2011–2020. Effective 1 January 2021, Jonas Gejer has assumed the role as Vice President Business Development for Addnode Group.*

### BREAKDOWN OF SWEDISH AND FOREIGN SHAREHOLDERS 30/12/2020




### FOREIGN SHAREHOLDERS BY COUNTRY, EXCL. SWEDEN



## DISTRIBUTION OF SHAREHOLDINGS, 30 DECEMBER 2020

| Shareholding | Number of shareholders | Capital, % | Votes, % |
|---|---|---|---|
| 1 – 500 | 5,842 | 1.4 | 1.1 |
| 501 – 1,000 | 415 | 1.0 | 0.8 |
| 1,001 – 2,000 | 243 | 1.1 | 0.9 |
| 2,001 – 5,000 | 149 | 1.5 | 1.2 |
| 5,001 – 10,000 | 55 | 1.2 | 0.9 |
| 10,001 – 20,000 | 42 | 1.8 | 1.5 |
| 20,001 – 50,000 | 22 | 2.1 | 1.6 |
| 50,001 – 100,000 | 17 | 4.0 | 3.2 |
| 100,001 – 500,000 | 24 | 19.3 | 22.9 |
| 500,001 – 1,000,000 | 9 | 21.9 | 17.3 |
| 1,000,001 – 5,000,000 | 8 | 44.7 | 48.6 |
| **Total, 30/12/2020** | **6,826** | **100.0** | **100.0** |

## SHARE DATA

| | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|
| Average number of shares outstanding before and after dilution, millions | 33.4 | 33.4 | 32.0 | 30.4 | 30.4 |
| Total number of shares outstanding, millions | 33.4 | 33.4 | 33.4 | 30.4 | 30.4 |
| Total number of registered shares, millions | 33.4 | 33.4 | 33.4 | 30.4 | 30.4 |
| Earnings per share before and after dilution, SEK | 4.88 | 3.86 | 4.75 | 2.96 | 2.71 |
| Cash flow from operating activities per share, SEK | 17.32 | 12.36 | 8.90 | 4.83 | 5.18 |
| Equity per share, SEK | 45.23 | 42.18 | 40.06 | 32.30 | 31.70 |
| Dividend per share, SEK | 2.50[1] | 0.00 | 2.50 | 2.25 | 2.25 |
| Share price on closing date, SEK | 286.00 | 178.50 | 103.50 | 75.75 | 56.50 |
| P/E multiple | 59 | 46 | 22 | 26 | 21 |

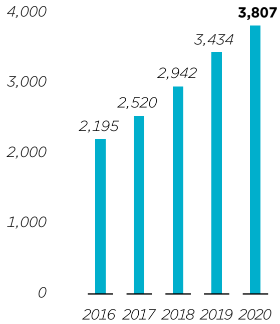
*1) Proposed by the Board of Directors to the Annual General Meeting.*

**Analysts and further information**
Analysts who regularly monitor Addnode Group include Fredrik Nilsson (Redeye), Daniel Thorsson and Simon Granath (ABG Sundal Collier) and Erik Elander (Handelsbanken).

**For queries, please contact:**
Christina Rinman
Head of Corporate Communication and Sustainability
+46 (0) 709 711 213
christina.rinman@addnodegroup.com

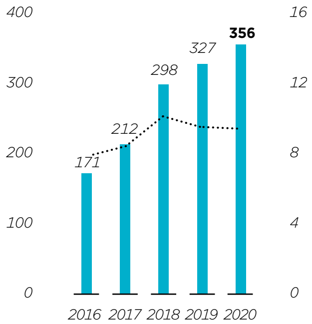
# FIVE-YEAR OVERVIEW

## NET SALES, SEK M




*Net sales increased during the 5-year period from SEK 2,195 m till SEK 3,807m, corresponding to average annual growth of 15 per cent. The Group's target is to achieve annual growth of at least 10 per cent.*

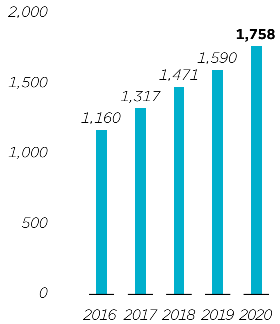
## EBITA, SEK M




*··· EBITA margin, %*

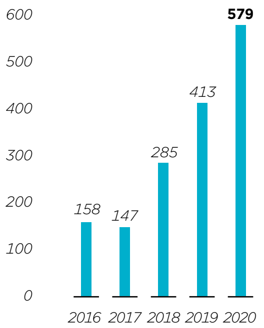
*EBITA grew during the 5-year period from SEK 171 m to SEK 356 m. Growth in earnings can be credited to higher demand for the Group's software and services, and to contributions from companies acquired during the period.*

## AVERAGE NUMBER OF EMPLOYEES



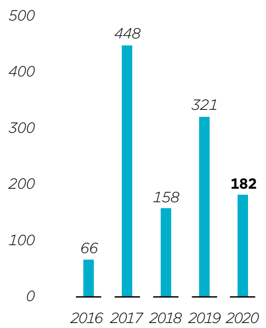

*The average number of employees grew by 11 per cent per year during the five-year period, which is mainly related to acquisitions.*

## CASH FLOW FROM OPERATING ACTIVITIES PER SHARE, SEK M



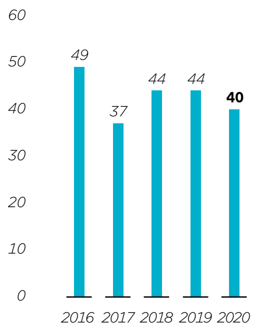

*Addnode Group's business model, with a large share of revenue paid in advance for support and maintenance contracts, software subscriptions and SaaS services, entails that the business ties up a relatively low level of capital. Historically, cash flow from operating activities has been level with EBITA. The increase in cash flow by SEK 166 m from 2019 is mainly attributable to active work on reducing tied-up working capital.*

## NET DEBT, SEK M




*Addnode Group has a credit facility of SEK 1,000 m for the financing of acquisitions, of which SEK 698 m was utilised as per 31/12/2020. Net debt decreased by SEK 139 m in 2020 as a result of improved cash flow and no payment of a dividend for 2019 in accordance with a resolution by the 2020 Annual General Meeting.*
*A new share issue was carried out in 2018, which added SEK 254 m in liquid funds.*

## EQUITY/ASSETS RATIO, %




*The equity/assets ratio averaged 43 per cent during the 5-year period. A new share issue was carried out in 2018, which added SEK 254 m in liquid funds.*

| | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|
| **INCOME STATEMENT (SEK M)** | | | | | |
| Net sales | 3,807 | 3,434 | 2,942 | 2,520 | 2,195 |
| of which, outside Sweden | 2,365 | 1,956 | 1,585 | 1,264 | 1,133 |
| Operating profit before depreciation/amortisation | 444 | 412 | 314 | 228 | 185 |
| EBITA | 356 | 327 | 298 | 212 | 171 |
| Operating profit | 229 | 218 | 203 | 130 | 114 |
| Net financial items | –18 | –43 | –6 | –11 | –5 |
| Profit before tax | 211 | 175 | 197 | 119 | 109 |
| Tax | –48 | –46 | –45 | –29 | –26 |
| Profit for the year | 163 | 129 | 152 | 90 | 82 |
| **BALANCE SHEET (SEK M)** | | | | | |
| Intangible non-current assets | 2,143 | 1,894 | 1,803 | 1,654 | 1,166 |
| Property, plant and equipment | 187 | 169 | 37 | 40 | 37 |
| Financial assets | 40 | 30 | 28 | 28 | 24 |
| Inventories | 1 | 1 | 1 | 1 | 1 |
| Other receivables | 803 | 781 | 819 | 729 | 646 |
| Cash and cash equivalents | 644 | 294 | 387 | 173 | 112 |
| **Total assets** | **3,818** | **3,169** | **3,075** | **2,625** | **1,986** |
| Shareholders' equity | 1,512 | 1,410 | 1,339 | 982 | 965 |
| Non-current liabilities | 235 | 155 | 93 | 192 | 68 |
| Current liabilities | 2,071 | 1,604 | 1,643 | 1,451 | 953 |
| **Total shareholders' equity and liabilities** | **3,818** | **3,169** | **3,075** | **2,625** | **1,986** |
| **CASH FLOW** | | | | | |
| Cash flow from operating activities, SEK m | 579 | 413[1] | 285 | 147 | 158 |
| Cash flow from investing activities, SEK m | –375 | –321 | –166 | –439 | –136 |
| Cash flow from financing activities, SEK m | 193 | –204 | 90 | 352 | –19 |
| – of which, shareholder dividend | – | –84 | –68 | –68 | –68 |
| Total cash flow | 397 | –112 | 209 | 60 | 3 |
| **RETURN METRICS** | | | | | |
| Change in net sales, % | 11 | 17 | 17 | 15 | 15 |
| Return on capital employed, % | 10.6 | 10.0 | 12.3 | 10.0 | 10.7 |
| Return on equity, % | 11.2 | 9.4 | 13.1 | 9.4 | 8.9 |
| EBITA margin, % | 9.4 | 9.5 | 10.1 | 8.4 | 7.8 |
| Operating margin, % | 6.0 | 6.3 | 6.9 | 5.2 | 5.2 |
| Profit margin, % | 5.5 | 5.1 | 6.7 | 4.7 | 5.0 |
| **FINANCIAL METRICS** | | | | | |
| Interest coverage multiple | 11 | 9 | 13 | 11 | 17 |
| Equity/assets ratio, % | 40 | 44 | 44 | 37 | 49 |
| Debt/equity multiple | 0.12 | 0.23 | 0.12 | 0.46 | 0.07 |
| Net debt, SEK m | 182 | 321 | 158 | 448 | 66 |
| Shareholders' equity, SEK m | 1,512 | 1,410 | 1,339 | 982 | 965 |
| **EMPLOYEES** | | | | | |
| Number of employees at 31 December | 1,833 | 1,714 | 1,583 | 1,511 | 1,277 |
| Average number of employees | 1,758 | 1,590 | 1,471 | 1,317 | 1,160 |
| Net sales per employee, SEK thousands | 2,166 | 2,160 | 2,000 | 1,913 | 1,892 |

*1) The increase in cash flow from operating activities from 2018 by SEK 128 m to SEK 67 m is attributable to the adoption of IFRS 16 Leasing.*

ADDNODE GROUP 2020

# ANNUAL REPORT

# BOARD OF DIRECTORS' REPORT

The Board of Directors and President of Addnode Group AB hereby submit the annual report and consolidated accounts for the financial year 1 January–31 December 2020. Addnode Group AB, with registered office in Stockholm, is a public stock corporation with corporate identity number 556291-3185.

## YEAR IN REVIEW

### BUSINESS FOCUS

Addnode Group acquires, operates and develops entrepreneur-driven companies that help digitalise society. We are a leading European provider of software and services for design, construction, product data information, project collaboration and facility management. Addnode Group is also a leading supplier of document and case management systems to Swedish public administrations.

Operations are organised in three divisions:

- **Design Management** – Digital solutions for design, BIM, product data and facility management
- **Product Lifecycle Management** – Digital solutions for the entire life cycle of products and facilities – from idea, design, simulation and construction to sale, aftermarket and recycling
- **Process Management** – Digital solutions for the public sector that keep track of cases, simplify communication with citizens and contribute to more reliable and secure social services

### NET SALES AND EARNINGS

Consolidated net sales in 2020 amounted to SEK 3,807 m (3,434), an increase of 11 per cent, of which -6 per cent was organic. Currency-adjusted organic growth was -5 per cent. The Group's recurring revenue increased by 17 per cent to SEK 2,560 m, accounting for 67 per cent of total revenue.

EBITA was SEK 356 m (327), corresponding to an EBITA margin of 9.4 per cent (9.5). EBITA in 2020 was charged with non-recurring costs of SEK 28 m attributable to adaptation of the organisation and cost structure in the Product Lifecycle Management division. Excluding these restructuring costs, EBITA for the Group would have been SEK 384 m, for an EBITA margin of 10.1 per cent.

The Group's personnel costs were temporarily reduced by SEK 51 m in 2020 as a result of the Group's acceptance of government assistance measures in several of the countries in which the Group is active. An average of approximately 340 employees (corresponding to approximately 85 full-time equivalents) were affected by short-term furloughs during the period April–December 2020.

Scheduled amortisation of intangible non-current assets amounted to SEK -127 m (-109). Operating profit was SEK 229 m (218), corresponding to an operating margin of 6.0 per cent (6.3). Profit for 2020 was charged with SEK 4 m (2) in acquisition costs.

Through business development and acquisitions, the share of proprietary software and applications increased in the digital solutions that the Group offers its customers. In 2020, investments of SEK 80 m (57) in proprietary software and applications were capitalised.

The Group's net financial items amounted to SEK –18 m (–43). Net financial items in 2019 were charged with the remeasurements of contingent consideration, for a net effect of SEK -26 m.

Profit for the year after tax increased to SEK 163 m (129). Excluding remeasurement of contingent consideration, profit after tax was SEK 163 m (155). Earnings per share were SEK 4.88 (3.86), and SEK 4.88 (4.64) excluding remeasurements.

### DIVISIONAL PERFORMANCE

**Design Management division**

Design Management is one of Europe's leading providers of digital solutions fror design, BIM and product data for architects and engineers in the construction and manufacturing industries. The division also has a strong offering in project collaborations and facility management in the Nordic countries and the UK.

Operations of the Design Management division are conducted by the subsidiaries Symetri, Tribia and Service Works Global (SWG). Symetri is the Nordic region's and UK's largest provider of Autodesk software, peripheral software and services to construction and property companies, the manufacturing industry and its suppliers. Symetri has also developed complementary software for product data management and for being able to manage, for example, local standards and norms in digital design processes. Tribia is a software company that delivers cloud-based collaboration tools for construction and civil engineering projects both to contractors and construction companies in the Norwegian and Swedish markets. SWG is a software company that delivers digital solutions for property management and maintenance as well as workplace and facility services. The Nordic countries and the UK are the company's home markets, but SWG is also active in Australia, Canada and the Gulf states.

During 2020 the coronavirus pandemic affected operations in the Design Management division to varying degrees. Demand for property systems and collaboration solutions for construction and infrastructure projects was stable. However, the market conditions for the division's solutions for design and product data were more challenging and led to weak new sales. The lower demand was parried by good cost control and short-term furloughs.

Net sales for Design Management increased to SEK 1,860 m (1,387). The strong growth in 2020 of 34 per cent was mainly attributable to the acquisition of Excitech in January 2020.

EBITA was SEK 190 m (146), corresponding to an EBITA margin of 10.2 per cent (10.5).

**Product Lifecycle Management division**

Product Lifecycle Management is a global provider of solutions for digitalising a product's or facility's entire lifecycle – from idea, design, simulation and construction to sale, aftermarket and recycling. For our customers this entails shorter lead times, stronger innovation and increased efficiency and traceability.

Operations are conducted by the subsidiary TECHNIA, one of Europe's largest providers of PLM software and consulting services. The division's markets are the Nordic countries, Benelux, the German-speaking parts of Europe, France, the UK, the USA and Japan.

During the coronavirus pandemic, the market conditions have varied among the division's geographic markets. Demand for the division's offering in the Nordic countries has been stable, while in the UK, Germany and the USA, demand has been lower, resulting in lower sales of licences and services. Restructuring measures have been taken to adapt the organisation and cost structure. In addition, short-term furloughs and other cost-cutting measures have been carried out to counter the effects of reduced net sales.

Net sales for Product Lifecycle Management amounted to SEK 1,141 m (1,272). EBITA was SEK 57 m (104), corresponding to an EBITA margin of 5.0 per cent (8.2). Costs of SEK 28 m for restructuring measures were charged against profit for the second and third quarters of 2020. Excluding these restructuring costs, EBITA for 2020 would have been SEK 85 m, for an EBITA margin of 7.4 per cent.

**Process Management division**

The Process Management division is a leading provider of software and digital solutions to the public sector in Sweden, i.e., the Digital Government growth area. The solutions contribute to smoother case management, simplified administration and quality-assured processes in contacts between authorities and citizens. The division is also a strong actor in the social services sector.

The division's operations are conducted via the subsidiaries Adtollo, Arkiva, Canella, Decerno, Evitbe, Forsler & Stjerna, Ida Infront, InPort, Intraphone, Kompanion, Mittbygge, Netpublicator, Sokio, Stamford and Voice Provider.

During the coronavirus pandemic, demand from the public sector remained strong, which led to favourable development with organic growth and improved margins for the division. Addnode Group's solutions support the transition to digital work processes for authorities and municipalities, among others. High efficiency in the division's businesses combined with cost restraint during the pandemic also contributed to the earnings improvement.

Net sales for Process Management amounted to SEK 827 m (797). EBITA increased to SEK 151 m (115), corresponding to an EBITA margin of 18.3 per cent (14.4). Completed acquisitions during the year contributed to the division's growth and profitability.

## ACQUISITIONS IN 2020

Addnode Group acquired four companies in 2020, Unizite AS ("Unizite"), Excitech Ltd ("Excitech"), Netpublicator Apps AB ("Netpublicator") and Scanscot Technology AB ("Scanscot"):

**Unizite**

On 9 January 2020 all of the shares were acquired in the Norwegian company Unizite. Unizite, with a team of 10 people, has developed a cloud-based mobile field tool. Depending on the actual outcome for the acquired company's recurring SaaS revenue in 2022, a contingent cash earn-out payment ranging from NOK 0 to a maximum, undiscounted amount of NOK 35 m may be payable. Contingent consideration is estimated to amount to NOK 10 m, which is recognised on the consolidated balance sheet as per 31 December 2020. Unizite is now

## KEY FIGURES PER DIVISION

| | Net sales | | EBITA | | Operating profit | | Average number of employees | |
|---|---|---|---|---|---|---|---|---|
| **SEK m** | **2020** | **2019** | **2020** | **2019** | **2020** | **2019** | **2020** | **2019** |
| Design Management | 1,860 | 1,387 | 190 | 146 | 133 | 101 | 565 | 415 |
| Product Lifecycle Management | 1,141 | 1,272 | 57 | 104 | 23 | 73 | 654 | 644 |
| Process Management | 827 | 797 | 151 | 115 | 115 | 82 | 532 | 524 |
| Central functions [1] | 14 | 13 | –42 | –38 | –42 | –38 | 7 | 7 |
| Eliminations | –35 | –35 | — | — | — | — | — | — |
| **Addnode Group** | **3,807** | **3,434** | **356** | **327** | **229** | **218** | **1,758** | **1,590** |

*1) EBITA and operating profit for central functions were charged with SEK 4 m (2) in acquisition costs in 2020.*

part of Tribia, a company in the Design Management division, and is consolidated in the Group as from January 2020.

**Excitech**

On 16 January 2020 Addnode Group signed an agreement to acquire and take possession of Excitech, with net sales of approximately SEK 550 m. Excitech, with more than 3,500 customers and 150 employees, is the largest Autodesk Platinum Partner in the UK market. On 16 January 2020, 55 per cent of the shares in Excitech were acquired, and the remaining 45 per cent of the shares were acquired in early June 2020, at which time the contracted, combined call and put options were exercised. The contracted purchase price for all of the shares was approximately GBP 22 m, corresponding to approximately SEK 269 m, of which approximately GBP 19 m (approximately SEK 232 m) was paid through the publication date of this annual report. Excitech is consolidated as from January 2020 as part of Addnode Group's Design Management division.

**Netpublicator**

On 1 July 2020 Addnode Group acquired 50.1 per cent of the shares in Netpublicator Apps AB ("Netpublicator"), which develops SaaS solutions for digital document and meeting management in conjunction with public administration meetings. The company's net sales in 2019 amounted to approximately SEK 16 m, with good profitability. The remaining 49.9 per cent will be acquired incrementally in 2021, 2022 and 2023, where the final purchase price will be determined based on Netpublicator's financial results. A provision for contingent consideration has been calculated at SEK 57 m, which is recognised on the consolidated balance sheet as per 31 December 2020. Netpublicator is consolidated in Addnode Group as from July 2020 as part of the Process Management division.

**Scanscot**

On 2 November 2020 Addnode Group acquired all of the shares in Scanscot Technology AB ("Scanscot"), the leading Nordic reseller of SIMULIA, the simulation software portfolio from Dassault Systèmes. The company has also developed its own software for simulation of bridges and other infrastructure. Scanscot had net sales of approximately SEK 38 m in 2019. Scanscot is consolidated in Addnode Group as from November 2020 as part of the Product Lifecycle Management division. See also Note 33 on pages 107–109.

## GOVERNMENT ASSISTANCE AND OTHER SUPPORT MEASURES

During 2020 the Group received access to government assistance as part of the measures taken by the authorities in several countries in Europe in which the Group's companies are active. The government assistance pertains to short-term furloughs, reductions in social security taxes and compensation for sick pay. In certain countries the government assistance has not been paid out to the companies, but directly to the employees. In either case it has resulted in lower costs for the Group. In accordance with IAS 20, government assistance measures have been reported net in personnel costs. The government assistance measures resulted in a reduction of the Group's personnel costs by a total of SEK 51 m during the second, third and fourth quarters of 2020. Of this total SEK 14 m is conditional, but the conditions are deemed to have been met.

## LIQUIDITY AND FINANCIAL POSITION

The Group's available liquidity amounted to SEK 744 m (394). This includes, in addition to cash and cash equivalents of SEK 644 m (294), an unutilised bank overdraft facility of SEK 100 m. The currently contracted multi-currency revolving credit facility of SEK 1,000 m (750) to finance acquisitions expires in June 2021. Negotiations on a new financing agreement are currently in progress.

As per 31 December 2020, SEK 302 m (258) of this facility was unutilised. Liabilities pertaining to promissory notes and other liabilities for completed acquisitions amounted to SEK 3 m (8), and estimated, contingent consideration for completed company acquisitions amounted to SEK 111 m (8). The Group's interest-bearing liabilities amounted to SEK 827 m (615) on 31 December 2020, of which lease liabilities amounted to SEK 125 m (123). Net debt amounted to SEK 182 m (321), and the equity/assets ratio was 40 per cent (44) on 31 December 2020.

## INVESTMENTS

Investments in intangible non-current assets and in property, plant and equipment amounted to SEK 181 m (137), of which SEK 80 m (57) pertained to proprietary software.

## SOFTWARE DEVELOPMENT

Through business development and acquisitions, the share of proprietary software and applications has increased in the IT solutions that the Group offers its customers. In 2020, capital expenditures of SEK 80 m (57) in proprietary software and applications were capitalised. Expenditures for customer-financed development and certain other development work that do not meet the criteria for capitalisation were expensed in the income statement.

## GOODWILL AND OTHER INTANGIBLE ASSETS

The Group's carrying amount of goodwill on 31 December 2020 was SEK 1,763 m (1,588). Goodwill increased in 2020 by SEK 247 m in connection with company acquisitions. Other intangible assets amounted to SEK 380 m (306) and pertain mainly to customer contracts and software.

## DEFERRED TAX ASSETS

Total, reported deferred tax assets amounted to SEK 18 m (12) on 31 December 2020, of which SEK 12 m (6) pertains to tax loss carryforwards. As per 31 December 2020 the Group's accumulated tax loss carryforwards amounted to approximately SEK 80 m (70). Deferred tax assets attributable to tax loss carryforwards are reported as assets to the extent it is likely that the loss carryforwards can be offset against surpluses in future taxation.

## SHAREHOLDERS' EQUITY

Shareholders' equity on 31 December 2020 amounted to SEK 1,512 m (1,410), corresponding to SEK 45.23 (42.18) per share outstanding. No share-savings, option or convertible programmes were outstanding as per 31 December 2020. No dividend was paid out for 2019, in accordance with a resolution by the 2020 Annual General Meeting, as a consequence of the uncertainty surrounding the progression of the coronavirus pandemic.

## PROVISIONS

Provisions, which are reported among non-current and current liabilities on the consolidated balance sheet, amounted to SEK 142 m on 31 December 2020 (19), of which SEK 111 m (8) pertained to estimated contingent consideration for completed company acquisitions. During 2020, a total of SEK 7 m (134) was paid in contingent consideration.

## EMPLOYEES

The average number of employees in the Group (full-time equivalents) increased to 1,758 (1,590) in 2020. The number of employees at year-end was 1,833 (1,714).

## SHARE REPURCHASES, AND TRANSFERS AND HOLDINGS OF TREASURY SHARES

Addnode Group had no holdings of treasury shares on 31 December 2020 nor 31 December 2019. During 2020 no shares were repurchased or transferred. The number of registered shares and shares outstanding on 31 December 2020 was 33,427,256 (33,427,256).

## PARENT COMPANY

The Parent Company's operations consist of joint-group functions for financial reporting and follow-up, financing, communication and investor relations, among other things.

Net sales amounted to SEK 18 m (16) and pertained mainly to invoicing to subsidiaries for rents of premises and performed services. Profit after financial items totalled SEK 44 m (285) including SEK 30 m (250) in dividends from subsidiaries, Group contributions of SEK 151 m (146) received from subsidiaries, write-downs of shares in subsidiaries by SEK 125 m (52), and reversals of write-downs of shares in subsidiaries of SEK 40 m (–). Cash and cash equivalents amounted to SEK 518 m (235) on 31 December 2020. Investments pertaining to shares in subsidiaries amounted to SEK 459 m (85). No significant investments were made in intangible non-current assets or in property, plant and equipment.

## SENSITIVITY ANALYSIS

The table below shows the impact on earnings per share before tax of changes in various factors.

| Impact factor | Change | Earnings effect* |
|---|---|---|
| Net sales | +/– 1% | SEK 0.63 |
| Gross margin | +/– 1% | SEK 1.14 |
| Payroll costs | +/– 1% | SEK 0.43 |
| Other operating expenses | +/– 1% | SEK 0.16 |

**) All else equal, earnings per share before tax for the 2020 financial year.*

## RISKS AND UNCERTAINTIES

In general, Addnode Group's earnings capacity and financial position are affected by customer demand, the ability to retain and recruit competent employees, the integration of newly acquired businesses, and risks associated with individual customers and current assignments. The Group's financial risks are primarily related to changes in exchange rates, interest rates and customers' ability to pay. The presentation below is not represented as being comprehensive, and the risks and uncertainties are not listed in any order of significance.

**Business cycle and macro risks**

The general view of the external operating environment and economy may affect customers' willingness to invest and demand. Addnode Group manages these risks by conducting business in both the private and public sectors and in numerous geographic markets. A high share of recurring revenue and a balanced customer structure provide stable earnings over time.

**The coronavirus pandemic**

There is still great uncertainty regarding the extent to which the ongoing pandemic's impact will be on society in general and on the global economy. It is also hard to estimate how long the pandemic will last. It is therefore also challenging to assess the effects on Addnode Group's earnings and financial position. The Group's operations are diversified with respect to the offerings, customer segments and geographies, which by themselves entail a diversification of risk which in other challenging times has proved to be a strength. Measures have been taken to safeguard the employees' health at the same time that the delivery models have been adapted to ensure that the Group can continue to deliver to customers remotely. To counter lower sales volumes, the level of costs has been reduced through short-term furloughs, employee layoffs and voluntary salary reductions. To be able to make further changes in operations when needed, scenario planning and action plans are being continuously updated to ensure operational and financial flexibility.

**Software and technology**

New ways of working, behaviours and rapid technology shifts may lead to changes in customer requirements. Addnode Group manages this risk by working closely with customers in software development in order to gain an understanding of their needs and changes in the market.

**Partners**

Our partners may change business models and terms, which affects our earnings capacity. Addnode Group manages this risk by having well-established and strategic collaborations with numerous suppliers of digital platforms and software.

**Competition**

Demand for and sales of our software and services may decline as a result of greater competition. Addnode Group manages competition risk by being a leading player in selected markets. We have close relationships with our customers, and we continuously develop our offering together with them and with their needs in focus.

**Organisation and employees**
To be able to grow, Addnode Group is dependent on its ability to recruit and retain competent employees. Every subsidiary in the Group is responsible for its own competence succession. In their recruitment activities, the individual companies benefit from entrepreneur-driven brands at the same time that they belong to a financially stable group.

**Acquisitions**
There is always a risk of Addnode Group being unsuccessful in assessing and integrating an acquired company or business. Addnode Group manages this risk by making acquisitions a central part of its strategy. Acquired companies are subject to a tried-and-tested acquisition process in which the Board of Directors and management participate from the start and where calculations do not include synergies.

**Compliance**
Addnode Group closely monitors developments in legislation, regulations and statutes that apply for the respective markets in which the Group has operations.

**Project commitments**
An inability to implement and deliver on projects may affect customer relationships and have negative effects on profitability and growth. Addnode Group continuously follows up project commitments to evaluate and limit their associated risk.

**IT- and cybersecurity**
Addnode Group is dependent on its ability to offer customers reliable digital solutions and having a secure internal IT structure. In addition, increased remote working during the pandemic has given rise to new challenges. Operational disruptions, cyber attacks and theft of information may undermine the market's trust in Addnode Group and cause substantial financial losses. Addnode Group works continuously to prevent and counter negative effects of IT- and cybersecurity risks.

**Financial risks**
The Group is exposed to various financial risks, including interest rate risk, financing and liquidity risk, currency risk, credit risk and other price risks. On the whole, it is believed that the Group's total exposure to financial risks continued to increase during the year as a result of the increasingly international scope of its business resulting from foreign acquisitions, among other things. The Group's financial transactions and risks are handled centrally by the Parent Company. The overall objective of the Group's financial strategy is to support growth and maximise the return to shareholders based on secure and cost-efficient management of the financial risks that the Group is exposed to. See also Note 36 on page 109 for a description of the financial risks identified by Addnode Group and how these are managed.

**Other**
Addnode Group is party to certain agreements containing stipulations that the agreement may be discontinued if control of Addnode Group changes as a result of a public takeover bid. However, the Board of Addnode Group has deemed that none of these agreements individually have significant bearing on Addnode Group's operations.

## ENVIRONMENTAL IMPACT

The Group does not conduct any operations requiring permits according to applicable environmental regulations.

## SUSTAINABILITY REPORT

The Group's sustainability report for 2020, which is presented on pages 26-41 of this annual report, has been prepared by Addnode Group AB (publ), corporate identity number 556291-3185, with registered office in Stockholm.

## ADDNODE GROUP SHARES AND OWNERSHIP

Addnode Group's Class B shares have been listed on Nasdaq Stockholm since 1999. Class A shares carry ten votes each, and Class B and C shares carry one vote each; only Class B shares are listed. Class C shares do not carry entitlement to dividends. On 30 December 2020 the number of Class A shares was 987,174, the number of Class B shares was 32,440,082 and the number of Class C shares was 0.

The largest shareholder in terms of voting rights is Aretro Capital Group AB, which at 30 December 2020 held 18.5 per cent of the votes and 6.6 per cent of the share capital. Aretro Capital Group AB is jointly owned via companies by Addnode Group's Chairman, Staffan Hanstorp, and Jonas Gejer. Jonas Gejer was President of the Product Lifecycle Management division and Addnode Group's subsidiary TECHNIA AB during the years 2011–2020. Effective 1 January 2021, Jonas Geijer assumed the role as Vice President Business Development for Addnode Group.

As far as the Board of Addnode Group AB is aware, there are no agreements between major shareholders that restrict the transferability of shares. Neither are there any restrictions on the transferability of shares posed by stipulations in law or the Articles of Association. There is no limitation on the number of votes each shareholder is entitled to vote for at general meetings of shareholders. According to the Articles of Association, the Board of Directors shall comprise three to eight members, with a maximum of two deputy members. The Articles of Association do not contain any general stipulations concerning the appointment or dismissal of board members or amendments to the Articles of Association.

## SHARE-SAVINGS PROGRAMMES, OPTION PROGRAMMES AND CONVERTIBLE PROGRAMMES

No share-savings, option or convertible programmes were in effect on 31 December 2020.

## CORPORATE GOVERNANCE

In accordance with the Annual Accounts Act and the Swedish Corporate Governance Code ("the Code"), a separate corporate governance report, which includes a section on internal control, has been prepared and appended to this annual report, see pages 62–73. Addnode Group has no departures from the Code to report for 2020.

**Authorisations**

The 2020 Annual General Meeting (AGM) authorised the Board to:

- on one or more occasions during the period up until the next AGM, to decide on purchases of a maximum number of Class B shares so that the company's holding following such purchase amounts to a combined maximum of 10 per cent of the total number of shares in the company at any given time. Up until the date of publication of this annual report, no shares were purchased with the support of this authorisation;
- on one or more occasions prior to the next AGM, to decide on transfers of Class B shares in the company to a third party. The number of shares transferred may not exceed the total number of treasury shares held by the company at any given time. Up until the date of publication of this annual report, no treasury shares were transferred pursuant to this authorisation; and
- during the time up until the next AGM, to decide on new issues of shares and thereby be able to increase the share capital by a total of not more than SEK 39.6 m by issuing a total of not more than 3,300,000 new shares upon full subscription. Up until the date of publication of this annual report, no new issues have been carried out.

For further information, see the Corporate Governance Report on page 62–73.

**Guidelines for remuneration of senior executives**

***Introduction***

The following guidelines were adopted by the 2020 Annual General Meeting and are applicable until the 2024 Annual General Meeting under the condition that no changes are proposed. No changes have been proposed to the 2021 Annual General Meeting.

By senior executives is meant the President of the Parent Company and other members of Group Management, which consisted of six persons in 2020. The guidelines shall be applied for remuneration agreed upon after the guidelines were adopted by the Annual General Meeting as well as for changes made to existing agreements on remuneration. The guidelines do not pertain to remuneration decided on by a general meeting of shareholders.

***The guidelines' promotion of the company's business strategy, long-term interests and sustainability***

Addnode Group's strategy is to acquire, operate and develop entrepreneur driven companies that help digitalise society. The Group's financial targets are i) annual growth in net sales of at least 10 per cent, ii) an operating margin before amortisation and impairment of intangible assets (EBITA margin) of at least 10 per cent, and iii) that at least 50 per cent of consolidated profit after tax shall be distributed to the shareholders, provided that net cash is sufficient to operate and develop the business.

Successful implementation of the company's business strategy and safeguarding of the company's long-term interests, including its sustainability, requires that the company can recruit and retain qualified employees. The company shall therefore apply market and competitive levels of remuneration and terms of employment to be able to recruit and retain management with high competence and capacity to achieve set goals.

***Forms of remuneration, etc.***

Remuneration of the President of the Parent Company and other members of Group Management shall normally consist of a fixed salary, variable remuneration, share-based incentive programmes, pension and other customary benefits.

*Fixed salary*

Fixed salary is not conditional upon the achievement of any performance requirements. However, the employee's individual performance and qualitative competence shall be taken into account along with the business performance when setting fixed salary and any increases to fixed salary. As a rule, fixed salary is reviewed once a year.

*Variable cash remuneration*

In addition to fixed salary, variable cash remuneration may be payable. Variable remuneration shall be based on achieved results and/or individually set and specific goals. In addition, variable remuneration shall be based on metrics coupled to the yearly business plan, which in turn is coupled to Addnode Group's long-term business strategy and financial targets. These metrics shall include financial targets at the Group and divisional levels (for relevant members of Group Management). Other metrics may include strategic targets, operational targets, targets for employee engagement or customer satisfaction, targets pertaining to sustainability and corporate social responsibility, or other leading indicators. The starting point is that most of the variable remuneration shall be based on metrics for the part of operations that the senior executive is responsible for.

In all, a maximum of four targets may be assigned to an individual senior executive for a financial year. Financial targets shall account for at least 75 per cent of the possible target bonus, and at least 15 per cent shall be at the Group level. The minimum weight for a specific target shall be 10 per cent. The outcome for all targets shall be calculated based on a performance period of 12 months (the financial year). For the President and Chief Executive Officer, the maximum award of variable remuneration shall be an amount corresponding to 12 months' fixed salary. For other members of Group Management, the maximum award shall correspond to nine months' fixed salary.

*Share-based incentive programmes*

Share-based incentive programmes shall ensure a long-term commitment to the Group's development and promote a personal shareholding in the company, and shall be implemented at market terms. Share-based incentive programmes require a resolution by a general meeting of shareholders and are therefore not covered by these guidelines.

*Pension and other benefits*

Pensions shall always be defined contribution solutions in order to create predictability regarding the company's future obligations. Pension premiums shall be paid in an amount up to a maximum of 30 per cent of the employee's current, fixed yearly salary.

Other remuneration and benefits shall be in line with the going rate in the market and contribute to facilitating the executive's opportunities to perform his or her work duties and may amount to a maximum of 10 per cent of fixed yearly cash salary. Other benefits pertain mainly to company cars or mileage allowance.

***End of employment***

Senior executives' employment contracts include stipulations for notice of end of employment. The policy is that employment can end at either party's request with a notice period of at least six months and not more than 12 months. During the notice period, unchanged salary, remuneration and benefits shall be paid.

***Salary and terms of employment for employees***

In the preparation of the Board's proposal for these remuneration guidelines, salary and terms of employment for the company's employees have been taken into account, whereby information on the employees' total remuneration, the remuneration components, and the increase in remuneration and rate of increase over time have made up part of the Remuneration Committee's and Board's decision-making documentation in evaluating the fairness of the guidelines and the limitations posed by these.

***Remuneration of board members in addition to directors' fees resolved by a general meeting of shareholders***

Board members elected by a general meeting shall in special cases be able to receive fees and other remuneration for work performed on behalf of the company in addition to board work (consulting services, etc., in the directors' respective areas of competence). For such services, it shall be possible to pay a fee that is in line with the going rate in the market, which shall be approved in advance by the Chairman of the Board or by two board members. These guidelines shall be applied for such remuneration.

***Decision-making process for setting, reviewing and implementing the guidelines***

The Board has established a remuneration committee. The committee is tasked with conducting preparatory work for the Board's decisions on proposed guidelines for remuneration of senior executives and any decisions to depart from the guidelines. The Board shall draw up a proposal for new guidelines at least every four years and submit its proposal to the Annual General Meeting for resolution. The guidelines shall remain in effect until new guidelines have been adopted by a general meeting. The Remuneration Committee shall also monitor and evaluate variable remuneration programmes for members of Group Management, the application of guidelines for remuneration of senior executives, and applicable remuneration structures and remuneration levels in the company. In the Board's consideration of and decisions on remuneration-related matters, the President or other members of Group Management shall not be present insomuch as the matters pertain to their own remuneration.

***Departures from the guidelines***

The Board may temporarily depart from these guidelines, fully or in part, only if there are special reasons for doing so in an individual case and a departure is necessary to safeguard the company's long-term interests, including its sustainability, or to safeguard the company's long-term financial soundness. If the Board departs from the guidelines for remuneration of senior executives, these shall be reported on in the remuneration report ahead of the next Annual General Meeting.

## ANTICIPATED FUTURE DEVELOPMENT

The Board has not changed its assessment of the long-term future outlook compared with the publication of the 2020 year-end report. The Board provided the following future outlook in the year-end report:

In the long-term, the areas in which Addnode Group is active are deemed to have strong underlying potential. Addnode Group's growth strategy is to grow organically and through acquisitions of new businesses in the aim of adding new, complementary offerings and additional expertise.

In 2020 the Covid-19 pandemic impacted Addnode Group's business to varying degrees. In the Design Management and Process Lifecycle Management divisions, clear declines were noted in new sales of software and services. In the public sector, which is where the Process Management division is active, demand remained stable. The Board notes that there is a significant risk that the continuing pandemic may have a financial impact for Addnode Group also in the coming year. As a result of the current uncertainty and the changing situation, it is not possible at present to foresee the duration or scope of the pandemic and its impacts.

## PROPOSED DISTRIBUTION OF EARNINGS

Profit for the year of SEK 2,855,321 and other unrestricted shareholders' equity, totalling SEK 788,346,328, together totalling SEK 791,201,649, are at the disposal of the Annual General Meeting. The Board of Directors proposes that these earnings, SEK 791,201,649, be disposed of as follows;

| | |
|---|---|
| Dividend to the shareholders of SEK 2.50 per share | 83,568,140 |
| To be carried forward | 707,633,509 |
| **Total** | 791,201,649 |

The Board's reasoned statement regarding the proposed distribution of earnings is available on the company's website: www.addnode-group.com. It is also available from the company upon request.

# CORPORATE GOVERNANCE REPORT

*"Even though few things were as usual or as planned in 2020, Addnode Group delivered a strong result for the year. The Group's success is grounded in our ability – with sound risk taking – to continue executing in accordance with our long-term strategy to acquire and develop companies."*

## CHAIRMAN'S MESSAGE
## SOUND RISK-TAKING AND CONTINUED EXPANSION

**Expansion and profitable growth are in constant focus on the Board's agenda. During 2020 we were forced temporarily to take a more short-term perspective in order to deal with the effects of the global pandemic. As we now look further ahead we can ascertain that the prospects for the Group's long-term development remain favourable.**

Even though few things were as usual or as planned in 2020, Addnode Group delivered a strong result for the year. The Group's success is grounded in our ability – with sound risk-taking – to execute in accordance with our long-term strategy to acquire and develop companies. Expansion combined with profitability and risk minimisation is an overarching theme that constantly requires the Board's engagement, and during 2020 it also entailed intensive work on analysing and assessing the coronavirus pandemic's impact on the Group's businesses. I am deeply impressed by how fast we in Addnode Group succeeded in adapting operations and ways of working both to safeguard our employees' health and continue delivering to our customers.

At the same time we are fortunate to work in areas where it is actually possible to manage a large share of work without meeting in person – in many cases even with greater efficiency than previously. The market conditions have gradually improved as we and our customers have found new ways to cooperate and conduct business.

A key question going forward will involve taking advantage of the new business opportunities that have emerged as a result of the pandemic and its impact on the global economy and societies. The transition in the wake of the pandemic is driving digitalisation and remote interaction, which is leading to greater demand for our products and services. The Board of Directors is an active sounding board for management in identifying the right ventures to meet what we see as the new normal as the pandemic slowly runs its course.

At the same time, it is important to remain vigilant as digitalisation is also being exploited by criminal forces to intrude upon businesses through various forms of attack. Cybersecurity is an issue that has gained ever greater attention in the boardroom, and we are making sure to continuously do what we can to protect both ourselves and our customers.

During the year, the importance of sustainability for our long-term development was also in focus. Continued organic and acquisition-driven expansion – apart from the challenges that will follow from the continuing pandemic's impact on society – will remain at the top of the Board's agenda also in 2021.

**Staffan Hanstorp**
Chairman of the Board

# CORPORATE GOVERNANCE REPORT FOR ADDNODE GROUP

Addnode Group's governance is regulated both by external rules and regulations and internal governance documents. The external rules and regulations include, among other things, the Swedish Companies Act, the Swedish Annual Accounts Act, Nasdaq Stockholm's Rule Book for Issuers, and other applicable laws and regulations. Internal governance documents include the Articles of Association adopted by the Annual General Meeting, the Board's Rules of Procedure, and the Board's instructions for the CEO.

Addnode Group AB ("Addnode Group") applies the Swedish Corporate Governance Code (also referred to as "the Code"). The Code is based on the "comply or explain" principle, which means that a company that applies the Code may depart from individual rules, but must in such case provide an explanation for the departure. Addnode Group reports no departures from the Code in 2020.

No violations of applicable stock market rules or of generally accepted practice in the stock market were reported with respect to Addnode Group by Nasdaq Stockholm's Disciplinary Committee or the Swedish Securities Council in 2020.

## IMPORTANT EVENTS 2020

- Kristina Willgård was elected as a new board member at the Annual General Meeting in May.
- In December Magnus Falkman was named as the new President of TECHNIA as well as President of the Product Lifecycle Management division, effective 1 January 2021. He succeeded Jonas Gejer, who has taken on a new role as Vice President Business Development for Addnode Group and thereby continues to be a member of Group Management.

## FOR MORE INFORMATION

- Nasdaq Stockholm, www.nasdaqomxnordic.com
- Swedish Corporate Governance Code, www.bolagsstyrning.se
- Swedish Financial Supervisory Authority, www.fi.se
- Addnode Group's website, www.addnodegroup.com

## OWNERSHIP STRUCTURE AND VOTING RIGHTS

Addnode Group's shares are serviced by Euroclear Sweden AB. This means that no share certificates are issued and that Euroclear Sweden maintains a shareholder register of owners and administrators in the company.

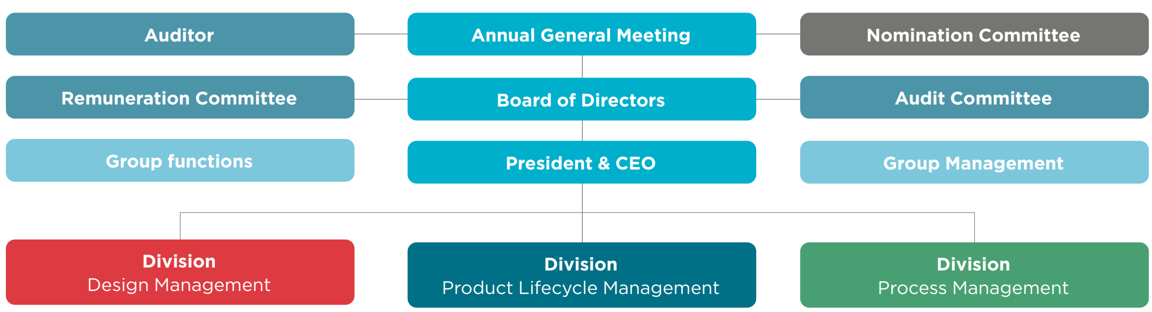
Addnode Group's share capital is made up of Class A, Class B and Class C shares. A-shares carry entitlement to ten votes each, and B- and C-shares carry entitlement to one vote each. Class A and B shares carry entitlement to dividends. Class C shares do not carry entitlement to dividends.

All shares carry equal entitlement to the company's assets. Class C shares have one limitation, however. This limitation entails that Class C shares are not entitled to a larger share of the company's assets than what corresponds to the share quota value calculated as per the date of distribution, with an interest-rate factor of one month STIBOR plus 4 percentage points calculated from the date of payment of subscription settlement. Class C shares are redeemable upon demand by the company. At the request of a shareholder, Class A shares can be converted to Class B shares, and Class C shares can be converted to Class B shares by the Board of Directors.

On 30 December 2020 the number of shareholders was 6,826, and the proportion of foreign-owned shares was 20 per cent. The proportion of institutional owners including mutual funds was 70 per cent.

Aretro Capital Group AB is the largest owner, with 6.6 per cent of the share capital and 18.5 per cent of the votes. Verg AB is the second largest owner, with 1.1 per cent of the share capital and 8.6 per cent of the votes. Aretro Capital Group AB is jointly owned via companies by Addnode Group's Chairman, Staffan Hanstorp, and Jonas Gejer. Jonas Gejer was President of the Product Lifecycle Management division and President of Addnode Group's subsidiary TECHNIA AB during the years 2011–2020. Effective 1 January 2021, Jonas Gejer will assume the role as Vice President Business Development for Addnode Group.

## GOVERNANCE



## NOMINATION COMMITTEE

The 2020 Annual General Meeting resolved to assign the Chairman of the Board with the task of contacting the four largest owner-registered shareholders (in terms of votes) in Euroclear Sweden's shareholder register as at 31 August 2020, to each appoint a representative who is not a member of the company's Board, to form the Nomination Committee along with the Chairman of the Board ahead of the 2021 Annual General Meeting. The Nomination Committee chair shall be the member appointed by the largest shareholder in terms of votes, unless its members determine otherwise. The Chairman of the Board shall not serve as chair of the Nomination Committee.

The Nomination Committee is responsible for safeguarding all of the shareholders' interests and submits recommendations to the next year's Annual General Meeting on the following:

- A chairman to preside over the Annual General Meeting
- Board members
- The Chairman of the Board
- Fees for each of the board members
- Fees for committee work
- The Nomination Committee for the following year
- Auditors and auditors' fees

The Board's Audit Committee assists the Nomination Committee in the work on submitting recommendations for the election of auditors and the auditors' fees. The Audit Committee evaluates the work of the auditors and informs the Nomination Committee about the results of its evaluation.

**Nomination Committee ahead of the 2021 AGM**

The composition of the Nomination Committee was announced via a press release that was published on 3 November 2020 and which is also posted on Addnode Group's website.

- Jonas Gejer, appointed by Aretro Capital Group AB. Jonas Gejer is chair of the Nomination Committee as representative of the largest shareholder in terms of votes
- Hans Christian Bratterud, appointed by Odin Fonder
- Marianne Nilsson, appointed by Swedbank Robur funds
- Robert Vicsai, appointed by SEB Investment Management
- Staffan Hanstorp, Chairman of the Board of Addnode Group

All of the Nomination Committee's members, apart from Jonas Gejer and Staffan Hanstorp, are independent in relation to the company and Group Management as well as to the largest shareholder in terms of votes.

Addnode Group, through its nomination committee, applies Rule 4.1 of the Swedish Corporate Governance Code as its diversity policy in drawing up recommendations for election of board members. Ahead of the 2021 AGM the Nomination Committee met on four occasions up until the date of publication of this annual report. The Nomination Committee represented approximately 40 per cent of the shareholders' votes as per 30 December 2020. As the basis for the Nomination Committee's work, the President of the company presented information about the company's operations and strategic direction. In addition, the Chairman of the Board presented the annual evaluation of the board members' performance. The Chairman of the Board also provided information about the Board's work during the year.

## ANNUAL GENERAL MEETING

The Annual General Meeting (AGM) is Addnode Group's highest decision making body. A shareholder's right to make decisions on Addnode Group's affairs is exercised at Annual General Meetings or, where applicable, at extraordinary general meetings. The AGM is normally held in April or May. The AGM resolves on the following:

- Adoption of the annual report
- The dividend
- Election of board members and auditors
- Directors' and auditors' fees
- Guidelines for remuneration of Group Management and other senior executives
- The Nomination Committee
- Other important matters

An extraordinary general meeting may be held if the Board deems it necessary or if requested by Addnode Group's auditors or owners of at least 10 per cent of the shares.

**Annual General Meeting 2020**

The 2020 AGM was held on 7 May 2020. The Chairman of the Board, Staffan Hanstorp, was elected as Chairman of the Annual General Meeting, in accordance with the Nomination Committee's proposal. The minutes from the AGM are available on Addnode Group's website.

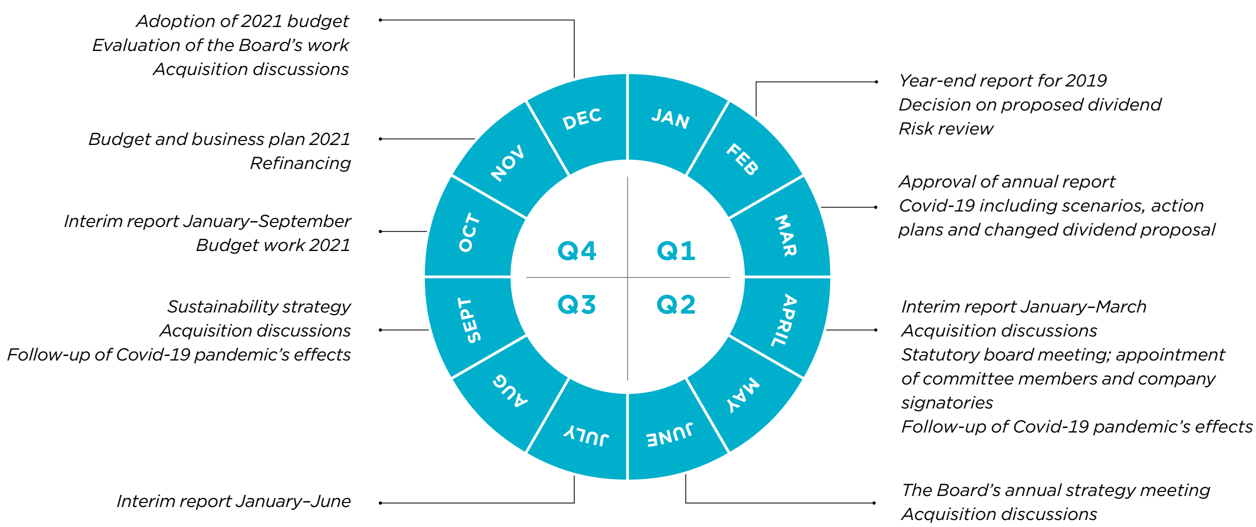
Staffan Hanstorp was re-elected as Chairman of the Board. Jan Andersson, Kristofer Arwin, Johanna Frelin, Sigrun Hjelmquist and Thord Wilkne were re-elected as board members in accordance with the Nomination Committee's proposal. In addition, Kristina Willgård was elected as a new board member. The AGM approved the Nomination Committee's proposal for directors' fees as well as the Board's proposed guidelines for remuneration and terms of employment for the President and other senior executives. As a consequence of the uncertainty concerning the progression of the pandemic, on 30 March 2020 the Board decided to withdraw the previously communicated proposal for a dividend of SEK 2.50 per share and to instead propose that no dividend be paid for 2019. The AGM resolved that no dividend would be paid, in accordance with the Board's proposal.

**Authorisations granted by the AGM**

The 2020 AGM authorised the Board to decide, on one or more occasions during the period until the next AGM, on purchases of a maximum number of Class B shares so that the company's holding following such purchase amounts to a combined maximum of 10 per cent of the total number of shares in the company at any given time. The aim of any share repurchase is primarily to be able to transfer shares in connection with the financing of company acquisitions and other types of strategic investments. Up until the date of publication of this annual report, no shares were purchased with the support of this authorisation.

In addition, the 2020 AGM also authorised the Board to decide, on one or more occasions prior to the next AGM, on the transfer of Class B shares in the company to a third party. The number of shares transferred may not exceed the total number of treasury shares held by the company at any given time. Transfers may take place on or outside of Nasdaq Stockholm, entailing a right to deviate from the shareholders'

## MAIN ITEMS OF BUSINESS FOR THE BOARD IN 2020




preferential rights. The reason for allowing the Board to deviate from shareholders' preferential rights is to enable financing of potential company acquisitions and other types of strategic investments in a cost-efficient manner. Up until the date of publication of this annual report, no shares were purchased with the support of this authorisation.

To finance potential company acquisitions using treasury shares, the Board received a mandate at the 2020 AGM in for the period until the next AGM to make decisions about new issues of Class B shares. Through decisions supported by this mandate, the share capital may increase by a maximum of SEK 39.6 m through the issuance of a combined maximum of 3,300,000 shares upon full subscription. Up until the date of publication of this annual report, no new issues were carried out.

## BOARD OF DIRECTORS

The Board of Directors has overarching responsibility for Addnode Group's organisation and administration.

### The Board's duties

The Board of Directors' main duty is to safeguard the company's and shareholders' interests, appoint the President and be responsible for ensuring that the company adheres to applicable laws, the Articles of Association and the Swedish Code of Corporate Governance.

The Board reports each year to the shareholders on how corporate governance in Addnode Group is exercised through the corporate governance report. The Board's work is regulated by – among other things – the Swedish Companies Act, applicable rules for listed companies, including the Swedish Corporate Governance Code, the Articles of Association, other laws and regulations, and the Board's and its committees' internal Rules of Procedure.

The Board handles and decides on group-wide matters, including:

- Strategic direction
- Short- and long-term targets
- Significant matters such as financing, investments, acquisitions and divestments
- Follow-up and control of information and organisational matters, including evaluation of the Group's organisation and operational management
- Appointment and, where necessary, dismissal of the company's President
- Overarching responsibility for establishment of effective systems for internal control and risk management, and group-wide policies

### The Board's composition

According to the Articles of Association, Addnode Group AB's Board of Directors shall consist of three to eight members elected by the AGM for a term through the end of the next AGM. The Articles of Association allow the election of deputy board members, however, there are currently no deputy members elected by the AGM. The Articles of Association contain no general stipulations about the appointment or dismissal of board members. The Board of Directors consists of seven members. For further information about the board members, see pages 70–71.

### Directors' independence

According to the Code, a majority of board members elected by a general meeting shall be independent in relation to the company and company management, and at least two shall also be independent in relation to the company's major shareholders. The Board of Directors of Addnode Group is considered to meet the applicable requirement for directors' independence. All of the board members, except for Staffan Hanstorp, have been determined to be independent. Chairman of the Board Staffan Hanstorp was formerly President and CEO of Addnode Group AB, and through his part-ownership in Aretro Capital Group AB he is the largest owner of Addnode Group in terms of votes, and has thereby not been determined as being independent in relation to the company and its management or to the company's major owners.

**The Board's Rules of Procedure and board meetings**

Each year the Board adopts written Rules of Procedure that lay out the Board's responsibilities and regulate the Board's and its committees' internal delegation of duties, including the Chairman's role, the Board's decision-making processes, summonses to board meetings, agendas and minutes, and the Board's work with accounting and audit issues and the financial reporting. Decisions on changes to the instructions may be made at board meetings during the course of the financial year if the Board deems it necessary.

According to the Rules of Procedure, the Chairman shall:

- Consult with the President on strategic issues and, through regular and frequent contacts with the President, closely monitor Addnode Group's performance
- Lead the Board's work and ensure that board members continuously receive the information required to monitor the business performance
- Consult with the President regarding the agenda for board meetings
- Ensure that matters are dealt with in a manner that is not in conflict with the Companies Act, other laws and regulations or the Articles of Association
- Serve as chair of the Remuneration Committee

The Rules of Procedure also include detailed instructions for the President and other company functions concerning issues that require the Board's approval. The instructions stipulate the maximum amount that the various decision-making bodies in the Group are authorised to approve in terms of agreements, credits, investments and other expenditures. According to the Rules of Procedure, a statutory board meeting is to be held immediately after the AGM. At this meeting, decisions are made about who is authorised to sign for Addnode Group and which board members are to serve on the Board's two drafting committees, the Remuneration Committee and the Audit Committee. The committees' work is mainly of a preparatory and advisory nature, however, the Board can in special cases delegate decision-making authority to the committees. According to the Rules of Procedure, the Board shall meet at least four times per year and additionally when necessary.

**The Board's work in 2020**

The Board held 12 meetings in 2020, of which one was the statutory meeting held directly in conjunction with the Annual General Meeting. All board meetings during the year followed an approved agenda, which together with documentation for each item on the agenda was provided to the board members prior to the respective meetings. Meetings normally take half a day, while the Board's annual strategic meeting is held over a full day to allow time for more in-depth discussions. The President and CEO participates in board meetings in a reporting role. The CFO serves as secretary of the Board. The divisional presidents are invited to board meetings on a regular basis to present reviews of their respective operations.

Other Group employees attend board meetings to present reports on specific matters when the Board deems it necessary. Set items of business at board meetings include an information report by the President and monthly financial reporting as well as an outlook for the coming quarter.

In addition, the Board dealt with a number of other matters at its meetings in 2020, with special attention dedicated to the following:

- Strategy and acquisition matters
- The Covid-19 pandemic and its impact on operations
- Refinancing
- The business plan including budget
- Sustainability
- Competence, leadership succession and incentive programmes
- Reports from the Audit Committee on internal control and the audit, among other things
- Corporate governance issues
- The year-end closing and interim reports
- Review of risk matrices covering business and market risks as well as sustainability issues
- Dividend proposal for the financial year

**Ensuring the quality of financial reporting**

The Rules of Procedure adopted each year by the Board include, among other things, detailed instructions about which financial reports and financial information are to be provided to the Board. In addition to the year-end report, interim reports and the annual report, the Board reviews and evaluates extensive financial information pertaining to the Group as a whole and the various units included in the Group. The Board also addresses information about risk assessments, disputes and any improprieties that may impact the Addnode Group's financial position. The Board also reviews, primarily through the Audit Committee, the most significant accounting policies applied in the Group pertaining to the financial reporting, as well as significant changes in the policies. The task of the Audit Committee includes reviewing reports about internal control and the processes for financial reporting.

The Group's auditors' report to the Board at least once per year and whenever necessary. At least one of these reports is presented without the President or any other member of Group Management being present. The Group's auditors also commonly participate in Audit Committee meetings. The Audit Committee chair submits a report to the Board after each meeting. All Audit Committee meetings are documented by minutes, which are available for all board members and the auditors.

**Evaluation of the Board of Directors**

The Board performs an annual evaluation of its own work. All of the board members are requested to complete a written evaluation questionnaire with questions about work methods and work climate, the focus of the Board's work, and access to and the need for specific expertise on the Board. The board members' written answers are thereafter compiled in a report. In accordance with the Rules of Procedure, the report is presented and the results of the evaluation are discussed

## THE BOARD'S COMPOSITION AND MEETING ATTENDANCE 2020

| Name | Function | Committee assignment | Year elected | Independent in relation to the company and company management/owners | Attendance at board meetings | Class A shares | Class B shares |
|---|---|---|---|---|---|---|---|
| Staffan Hanstorp [1] | Chairman of the Board | Remuneration Committee chair | 2017 | No/No | 12/12 | 625,332 | 1,588,597 |
| Jan Andersson | Director | Audit Committee chair | 2012 | Yes/Yes | 12/12 | — | 15,000 |
| Kristofer Arwin | Director | Member of Audit Committee | 2012 | Yes/Yes | 11/12 | — | 2,180 |
| Johanna Frelin | Director | — | 2017 | Yes/Yes | 11/12 | — | — |
| Sigrun Hjelmquist [2] | Director | Member of Audit Committee | 2009 | Yes/Yes | 12/12 | — | 2,000 |
| Thord Wilkne [3] | Director | Member of Remuneration Committee | 2008 | Yes/Yes | 12/12 | — | 435,000 |
| Kristina Willgård | Director | — | 2020 | Yes/Yes | 8/8 | — | — |
| | | | | | | **625,332** | **2,042,777** |

*1) Including 625,332 Class A shares and 1,584,624 Class B shares owned by Aretro Capital Group AB, in which Staffan Hanstorp owns 50 per cent of the shares via companies.*
*2) Including spouse's holding of 1,000 shares.*
*3) Including spouse's holding of 35,000 shares.*

*All shareholdings of board members are reported as per 31 December 2020. Fees paid to the Chairman of the Board and directors are detailed in Note 5 of the annual report.*

at a regular board meeting. The evaluation is used as a tool to develop the Board's work and is also used as documentation for nomination work by the Nomination Committee.

### Directors' fees

Fees paid to the AGM-elected board members are set by the AGM based on the recommendation by the Nomination Committee. For the period between the 2020 and 2021 Annual General Meetings, a fixed fee of SEK 400 thousand (400) is payable to the Chairman of the Board, and SEK 200 thousand (200) is payable to each of the other board members. In addition, a fee may be payable on account for special initiatives (consulting services, etc.) by board members within their respective areas of competence, provided that such initiatives are approved in advance by the Chairman of the Board or by two board member. A fee of SEK 55 thousand (55) is payable to each of the two regular members of the Board's Audit Committee, and a fee of SEK 85 thousand (85) is payable to the Audit Committee chair. A fee of SEK 20 thousand (20) is payable to each of the members of the Remuneration Committee. The AGM also resolved to continue using the services of Chairman of the Board Staffan Hanstorp on a consultant basis for work with the Group's acquisition opportunities, financing matters, strategic partnerships and overarching strategic issues. A maximum fee of SEK 190,000 per month may be payable for such work.

There are no agreements concerning pensions, severance pay or other benefits for board members.

## COMMITTEES

The Board has established a remuneration committee and an audit committee. The work of the committees is mainly of a preparatory and advisory nature, but the Board may delegate decision-making authority to the committees in special cases. Committee members and the committee chairs are appointed at each year's statutory board meeting.

### Remuneration Committee

The Remuneration Committee's main task is to represent the Board on matters pertaining to remuneration and terms of employment for the President and other senior executives based on the guidelines for remuneration and terms of employment for the President and other senior executives adopted by the AGM. The Committee reports on its work to the Board on a regular basis. The Remuneration Committee's members are Chairman of the Board Staffan Hanstorp and board member Thord Wilkne. The Remuneration Committee held four meetings in 2020.

### Audit Committee

The Audit Committee's main task is to monitor the processes for Addnode Group's financial reporting and internal control in order to ensure the quality of external reporting. The Audit Committee's members are Jan Andersson (committee chair), Sigrun Hjelmquist and Kristofer Arwin. The Audit Committee held five meetings in 2020. Sigrun Hjelmquist was not present at one meeting. The other members were present at all of the meetings.

The Audit Committee's work includes:

- Reviewing the financial statements and addressing accounting issues that impact the quality of the company's financial reporting
- Monitoring the effectiveness of internal control over financial reporting, including risk management
- Overseeing the audit and evaluating the work of the auditors
- Evaluating the auditors' objectivity and independence
- Assisting the Nomination Committee

## AUDITOR

The auditor is appointed by the Annual General Meeting and reports via its audit report on its audit of the annual report, the bookkeeping and the consolidated accounts as well as on the Board of Directors' and President's administration of Addnode Group. The auditor also conducts a review of the nine-month interim report.

At the 2020 Annual General Meeting the chartered accounting firm PricewaterhouseCoopers AB (PwC) was re-elected, with Authorised Public Accountant Anna Rosendal as auditor-in-charge. To ensure fulfilment of the information and control requirements placed on the Board, the auditor attends the Audit Committee meetings and reports on all material accounting issues as well as on any errors or irregularities. The auditor also reports directly to the Board of Directors, in connection with a board meeting, at least once a year.

The fees paid by Addnode Group to the auditor, for both audit-related and other non-audit-related assignments, are specified in Note 6 of the annual report, Auditors' fees.

## PRESIDENT AND CEO

The President and CEO is responsible for the day-to-day administration of the Group's operations in accordance with the Board's guidelines and instructions. The President provides the Board with the necessary documentation for its work both prior to and between board meetings.

### Group Management

The President appoints the other members of Group Management, who consist of the CFO, the Head of M&A, and the presidents of the three divisions, Design Management, Product Lifecycle Management and Process Management. Starting on 1 January 2021 the head of Business Development is also a member of Group Management. The members of Group Management are responsible for implementing the Group's strategy in their respective areas and also have overarching responsibility for Addnode Group with respect to matters of a long-term and strategic character, such as the Group's organisation, acquisitions, trademarks, investments and financing. Group Management meetings are held monthly to review the Group's financial performance, acquisition matters and joint-group initiatives as well as for discussions on strategic matters. In addition to these scheduled meetings, Group Management also regularly reviews matters as necessary. During 2020, Group Management met frequently to coordinate and share experiences surrounding the handling of effects of the coronavirus pandemic. The President and other members of Group Management are presented on pages 72–73.

### Group functions

Under the President's direction are group functions for finance, communication, acquisitions and business development within Addnode Group AB.

### Divisions

The three divisions – Design Management, Product Lifecycle Management and Process Management – make up Addnode Group's operational structure. The division presidents are responsible – in accordance with decided strategies – for the operations of their respective divisions and report to Addnode Group's President and CEO. Divisional board meetings are held quarterly to review financial development, strategic matters, acquisitions, product investments and risk matters, among other things. Financial review meetings are also held on a monthly basis. In addition to the respective division presidents, the respective division controllers as well as the Group CEO and CFO attend these meetings.

## INTERNAL CONTROL OVER FINANCIAL REPORTING

The Board of Directors has overarching responsibility for internal control over financial reporting. The Board has established an Audit committee tasked with conducting preparatory work for the Board's work with control over the company's financial reporting. The following description has been prepared in accordance with the Swedish Corporate Governance Code (the Code) and constitutes the Board's description of the company's system for internal control and risk management with respect to financial reporting.

### Addnode Group's control environment

Addnode Group's control environment includes the values and ethics that the Board, the President and Group Management communicate and work according to, as well as the Group's organisational structure, leadership, responsibilities and authorisations, and the employees' expertise.

The Board works continuously with risk assessment and risk management. Addnode Group's Board has chosen to not establish a designated internal audit function for internal control. The Board is of the opinion that the existing organisation and existing control structures in Addnode Group enable effective operations, identify risks in the financial reporting and ensure compliance with applicable laws and regulations. Addnode Group has a decentralised governance model in which governance, risk management and continuous financial reporting are conducted primarily by the business divisions. This is complemented by a central finance function responsible for monitoring the divisions' financial reporting and for the external financial reporting.

Responsibilities and authorisations are defined in instructions for authorisation rights, manuals, policies, routines and codes of conduct. A few examples include the Articles of Association, the Board's Rules of Procedure, the instructions for the division of duties between the President and the Board, the instructions for financial reporting, the finance policy, and the financial manual with an accompanying accounting manual.

These guidelines, together with laws and external rules and regulations, make up the control environment. The Board tests the relevance and pertinence of these instructions on a regular basis. Responsibility for continuously maintaining an effective control environment and the day-to-day work with internal control over financial reporting is delegated to the President. Group Management and other senior executives have responsibility for internal control within their respective areas of responsibility.

**Risk assessment**

The Audit Committee continuously assesses the Group's risks and reports to the Board. The aim is to identify events in the market or in operations that could result in changes in the value of assets and liabilities. Another important part of risk assessment involves staying abreast of changes in accounting rules and ensuring that any changes are correctly conveyed in the financial reporting. The CFO is responsible for the preparatory work behind the Audit Committee's assessments and for operational monitoring of identified risks. An important aspect of risk assessment is the company's monthly financial reporting and the reports that are submitted each month by the divisional presidents and their directly subordinate managers.

**Control activities**

The control structures have been designed to manage the risks that the Board and management deem as being the most significant for the operations and the financial reporting. Addnode Group's control structures consist in part of an organisation with clear roles that facilitate an effective and suitable division of duties and responsibilities, and in part of instructions and specific control activities aimed at detecting or preventing risks for errors in the reporting in a timely fashion.

Examples of control activities include:

- Clear decision-making processes and authorisation instructions for important decisions (e.g., purchases, investments, agreements, and acquisitions and divestments)
- Monthly earnings and liquidity analyses with deviation monitoring against budgets and forecasts
- Monthly risk assessment of past-due accounts receivable and major projects
- Automatic controls in IT systems that are essential for the financial reporting and other analytical follow-ups and reconciliations

**Monitoring**

Control activities are monitored on a continuous basis to ensure that risks have been identified and addressed in a satisfactory manner. Monitoring is conducted both informally and formally, and involves reconciliation of monthly financial reports against budgets, forecasts and other set targets. Monitoring to ensure the effectiveness of internal control over financial reporting is conducted by the Board, the President, Group Management, and individuals in the Group's divisions and companies who are responsible for operations.

The Audit Committee reviews reports on internal control and the financial reporting processes as well as analyses by the Group and divisional management. The company's auditors report to the Audit Committee in connection with their review of the nine-month interim report, the year-end report, and the annual report. In addition, regular contact is maintained between the Audit Committee and the company's auditors.

**Information and communication**

Guidelines for the financial reporting are communicated to employees through targeted communication initiatives, regular information meetings with the Group's controllers and financial managers, and manuals, group-wide policies and codes that are published via group-wide systems. Such information includes methodologies, instructions and practical checklists, descriptions of roles and responsibilities, and overarching timetables for e.g., budgets, forecasts, monthly reports, quarterly book-closings and work with the annual report. The CFO is responsible for ensuring that information and training activities are conducted on an ongoing basis with the heads of finance/accounting and administration in the various divisions. The effectiveness of this communication is followed up on a regular basis to ensure receipt of information. In addition, informal channels are in place for employees to communicate important information with relevant recipients – ultimately the Board of Directors where necessary. Addnode Group also has a whistleblower function that is accessible via the Group's website with contact information for the Audit Committee Chair, who in turn is responsible for informing the Board about reported matters. For communication with external parties, an insider policy and information policy lay out guidelines for how external communication may take place. The aim of these policies is to ensure correct and thorough compliance with all information obligations.

**Financial reporting and information**

Addnode Group's routines and systems for the issuance of information aim to provide the market with regular and correct information about the Group's performance and financial position in accordance with applicable regulations and laws. Via Addnode Group's intranet the employees are updated about group-wide policies, governance documents and manuals.

Financial reporting and business information are provided on a regular basis in the following ways:

- Year-end and interim reports, which are published via press releases
- Annual reports including sustainability reports
- Press releases on significant events
- Presentations for financial analysts, investors and the media on the same day that year-end and interim reports are published as well as in connection with the publication of other important information
- Meetings with financial analysts and investors

The Board monitors and ensures the quality of the financial reporting through instructions on the division of duties between the President and the Board, and instructions for financial reporting to the Board. The Audit Committee is responsible for conducting preparatory work for the Board's work with control over the company's financial reporting. In addition, the Board ensures the quality of the financial reporting by thoroughly reviewing interim reports, the year-end report and the annual report at board meetings. The Board also reviews information about risk assessment, disputes and any irregularities. The Board has delegated responsibility to the executive management for ensuring the quality of press releases with financial content as well as presentation material in connection with meetings the media, owners and financial institutions.

# BOARD OF DIRECTORS

### STAFFAN HANSTORP

Born 1957. Director since 2017. Elected as Chairman in 2017. Remuneration Committee chair.

**Education and experience:**
Civil engineer, KTH Royal Institute of Technology. More than 35 years of experience as sales manager/marketing manager and CEO in IT sector. Founded TECHNIA in 1994, which was acquired by Addnode Group in 2004. President and CEO of Addnode Group 2007–2017.

**Current assignments:**
Chairman of Bioteria Technologies AB, Byggnadsfirman Viktor Hansson AB, director of IT & telecom companies in Almega.

**Shareholding in Addnode Group:**
Staffan Hanstorp owns, via companies, 50 per cent of Aretro Capital Group AB, which owns 625,332 A-shares and 1,654,624 B-shares in Addnode Group. Personal holding of 3,973 B-shares.

### JAN ANDERSSON

Born 1959. Director since 2012, Audit Committee chair.

**Education and experience:**
Civil engineer with specialisation in computer technology. Co-founder of Readsoft and President 1991–2011.

**Current assignments:**
Chairman of DH Anticounterfeit and Mildef Group AB, director of Entrepenörinvest AB, Innovum Invest AB, Localize Direct AB, Myloc AB and TimeZynk AB, among other companies.

**Shareholding in Addnode Group:**
15,000 B-shares.

### KRISTOFER ARWIN

Born 1970. Director since 2012, member of Audit Committee.

**Education and experience:**
B.Sc. Business Administration, Finance, Stockholm University. Co-founder of TestFreaks, CEO of TestFreaks 2006–2013. Founded Pricerunner in 1999 and CEO 1999–2005. Director of TradeDoubler 2007–2013, Stagepool 2007–2012 and Alertsec 2007–2017. Director and member of audit committee of Kindred Group 2008–2019.

**Current assignments:**
Chairman of the Board of TestFreaks AB.

**Shareholding in Addnode Group:**
2,180 B-shares.

### JOHANNA FRELIN

Born 1969. Director since 2017.

**Education and experience:** Journalist, B.A. Luther College, USA. MBA Stockholm School of Economics. 20 years of management experience, including 12 years in group management with SVT. CEO of Hyper Island and Tengbom.

**Current assignments:** CEO of Riksbyggen, director of Springtime AB.

**Shareholding in Addnode Group:** No shareholding.

### SIGRUN HJELMQUIST

Born 1956. Director since 2009, member of Audit Committee.

**Education and experience:** Civil engineer, M.Sc. Engineering Physics from KTH Royal Institute of Technology. Active in the Ericsson Group 1979–2000, most recently as President of Ericsson Components AB. Investment manager at BrainHeart Capital 2000–2005. Currently executive partner at Facesso AB.

**Current assignments:** Chairman of Teqnion AB. Director of Azelio AB, Eolus Vind AB, Ragnsellsbolagen AB and Trancendent Group AB.

**Shareholding in Addnode Group:** 1,000 B-shares, plus 1,000 B-shares owned by spouse.

### THORD WILKNE

Born 1943. Director since 2008, member of Remuneration Committee.

**Education and experience:** Secondary school economics degree. Co-founder of WM-data and CEO 1970–1997, Chairman 1998–2004.

**Current assignments:** Director of Asia Growth Management AB and Wilgot AB, among other companies.

**Shareholding in Addnode Group:** 400,000 B-shares, plus 35,000 shares owned by spouse.

### KRISTINA WILLGÅRD

Born 1965. Director since 2020.

**Education and experience:** M.Sc. Business and Economics. CFO Addtech, Finance Manager at Ericsson AB, CFO Netwise, CFO Frontec, Business controller Spendrups, auditor Arthur Andersen, director of Serneke Group AB.

**Current assignments:** President and CEO of AddLife since 2015, director of Nordic Waterproofing Holding A/S.

**Shareholding in Addnode Group:** No shareholding.

### AUDITOR

*At the 2020 Annual General Meeting, the chartered accounting firm PricewaterhouseCoopers AB (PwC) was re-elected as Addnode's auditor, with Authorised Public Accountant Anna Rosendal as Auditor-In-Charge.*

# GROUP MANAGEMENT

### JOHAN ANDERSSON

Born 1974. President and CEO of Addnode Group AB.

**Education and experience:**
M.Sc. Econ., Uppsala University. Executive Management Programme, IFL/Stockholm School of Economics. Active in Addnode Group since 2006 as Head of IR and M&A, and as CFO. President and CEO since 2017. Previous experience as adviser at investment bank for tech companies.

**Current assignments outside the Group:**
Chairman of Videnca AB.

**Shareholding in Addnode Group:**
98,478 B-shares.

### LOTTA JARLERYD

Born 1966. CFO of Addnode Group AB.

**Education and experience:**
B.Sc. Business Administration and Economics and journalism degree, Stockholm University. Active in Addnode Group since 2019. Previous experience as an Authorised Public Accountant, as an adviser in company acquisitions, and as CFO of Protect Data AB (publ) and Acando AB (publ), among other companies.

**Current assignments outside the Group:**
None.

**Shareholding in Addnode Group:**
No shareholding.

### ROLF KJÆRNSLI

Born 1958. President of Design Management division.

**Education and experience:**
Civil engineer, Norwegian Institute of Technology. Active in Addnode Group since 2005, more than 30 years of experience as head of R&D and as CEO in the IT industry.

**Current assignments outside the Group:**
Director of WK Entreprenør AS.

**Shareholding in Addnode Group:**
29,498 B-shares via company.

## MAGNUS FALKMAN

Born 1976. President of Product Lifecycle Management division.

**Education and experience:** Civil engineer, Chalmers Institute of Technology, economics studies, Gothenburg School of Economics. Active in Addnode Group since 2002 in various senior positions.

**Current assignments outside the Group:** None.

**Shareholding in Addnode Group:** No shareholding.

## ANDREAS WIKHOLM

Born 1974, President of Process Management division.

**Education and experience:** Degree in Public Health Science, Karolinska Institutet. Numerous continuing education courses in company management, economics and business development. Active in Addnode Group since 2015, with 20 years of experience from the IT industry in roles such as divisional manager, CEO, and other executive positions.

**Current assignments outside the Group:** None.

**Shareholding in Addnode Group:** 40,000 B-shares.

## JONAS GEJER

Born 1963. VP Business Development, Addnode Group AB.

**Education and experience:** Secondary school degree in engineering and Market Economics degree, IHM Business School. One of three co-founders of TECHNIA in 1994, which was acquired by Addnode Group in 2004. President of TECHNIA and President of PLM division 2011–2020.

**Current assignments outside the Group:** None.

**Shareholding in Addnode Group:** Jonas Gejer owns, via companies, 50 per cent of Aretro Capital Group AB, which owns 625,332 A-shares and 1,584,624 B-shares in Addnode Group. Personal holding of 3,973 shares.

## ADAM NILSSON

Born 1984. Head of M&A, Addnode Group AB.

**Education and experience:** M.Sc. Business Administration/ Finance, Stockholm University. Active in the Group since 2018. Past experience as a consultant within transactions and financial analysis.

**Current assignments outside the Group:** None.

**Shareholding in Addnode Group:** 1,250 B-shares.

# CONSOLIDATED INCOME STATEMENTS

| SEK m 1 January–31 December | Note | 2020 | 2019 |
|---|---|---|---|
| Net sales | 2, 3, 38 | 3,807 | 3,434 |
| **Operating expenses** | | | |
| Purchases of goods and services | 38 | –1,715 | –1,425 |
| Other external costs | 6, 17 | –270 | –299 |
| Personnel costs | 4, 5 | –1,461 | –1,355 |
| Capitalised work performed by the company for its own use | 15 | 80 | 57 |
| Depreciation/amortisation and impairment of | | | |
| – property, plant and equipment | 16 | –88 | –85 |
| – intangible non-current assets | 15 | –127 | –109 |
| Profit on sale of business | | 3 | — |
| **Operating profit** | | **229** | **218** |
| Financial income | 9 | 3 | 4 |
| Financial expenses | 10 | –21 | –21 |
| Remeasurement of contingent consideration | 27 | 0 | –26 |
| **Profit after financial items** | | **211** | **175** |
| Current tax | 11,12 | –47 | –53 |
| Deferred tax | 11,12 | –1 | 7 |
| **Profit for the year** | | **163** | **129** |
| *Attributable to:* | | | |
| Owners of the Parent Company | | 163 | 129 |
| **Share data** | | | |
| Earnings per share before and after dilution, SEK | 13 | 4.88 | 3.86 |
| Shareholders' equity per share outstanding, SEK | | 45.23 | 42.18 |
| Average number of shares outstanding before and after dilution | | 33,427,256 | 33,427,256 |
| Number of shares outstanding at year-end | | 33,427,256 | 33,427,256 |
| Number of registered shares at year-end | | 33,427,256 | 33,427,256 |

# CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

| SEK m 1 January–31 December | Note | 2020 | 2019 |
|---|---|---|---|
| Net profit for the year | | 163 | 129 |
| *Other comprehensive income, items that will not be reclassified to profit or loss:* | | | |
| Actuarial gains and losses on pension obligations | | 0 | –1 |
| Capital gain on long-term securities holdings | | — | 4 |
| *Other comprehensive income, items that may be reclassified to profit or loss:* | | | |
| Exchange rate difference upon translation of foreign operations | | –124 | 67 |
| Hedge of net investments in foreign operations | | 63 | –44 |
| **Total comprehensive income for the year, net after tax** | 11 | **–61** | **26** |
| **Comprehensive income for the year** | | **102** | **155** |
| *Attributable to:* | | | |
| Owners of the Parent Company | | 102 | 155 |

# CONSOLIDATED BALANCE SHEETS

| SEK m per 31 December | Note | 2020 | 2019 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Intangible non-current assets | 15 | 2,143 | 1,894 |
| Property, plant and equipment | 16, 17 | 187 | 169 |
| Deferred tax assets | 12 | 18 | 12 |
| Long-term securities holdings | 20 | 9 | 9 |
| Non-current receivables | 21 | 13 | 9 |
| **Total non-current assets** | | **2,370** | **2,093** |
| **Current assets** | | | |
| Inventories | | 1 | 1 |
| Trade receivables | | 543 | 559 |
| Tax assets | | 21 | 27 |
| Other receivables | | 11 | 11 |
| Prepaid expenses and accrued income | 22 | 228 | 184 |
| Cash and cash equivalents | 34 | 644 | 294 |
| **Total current assets** | | **1,448** | **1,076** |
| **TOTAL ASSETS** | | **3,818** | **3,169** |
| **SHAREHOLDERS' EQUITY AND LIABILITIES** | | | |
| **Shareholders' equity** | 24 | | |
| Share capital | 24 | 401 | 401 |
| Other capital contributions | | 433 | 433 |
| Reserves | | –32 | 29 |
| Profit brought forward (including profit for the year) | | 710 | 547 |
| **Total shareholders' equity** | | **1,512** | **1,410** |
| **Non-current liabilities** | | | |
| Non-current interest-bearing liabilities | 26 | 66 | 64 |
| Deferred tax liabilities | 12 | 91 | 77 |
| Long-term provisions | 27 | 78 | 14 |
| **Total non-current liabilities** | | **235** | **155** |
| **Current liabilities** | | | |
| Current interest-bearing liabilities | 26 | 761 | 551 |
| Trade payables | | 199 | 167 |
| Taxes payable | | 32 | 33 |
| Advances from customers | | 28 | 19 |
| Other liabilities | | 196 | 143 |
| Accrued expenses and deferred income | 29 | 791 | 686 |
| Short-term provisions | 27 | 64 | 5 |
| **Total current liabilities** | | **2,071** | **1,604** |
| **TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES** | | **3,818** | **3,169** |

Pledged assets and contingent liabilities are reported in Note 30 and Note 31, respectively.

# CONSOLIDATED STATEMENTS OF CASH FLOWS

| SEK m 1 January–31 December | Note | 2020 | 2019 |
|---|---|---|---|
| **Operating activities** | | | |
| Operating profit | | 229 | 218 |
| Depreciation/amortisation | | 216 | 194 |
| Adjustments for other non-cash items | 32 | 26 | 1 |
| **Subtotal** | | **471** | **413** |
| Interest received | | 1 | 2 |
| Dividends received | | — | 1 |
| Interest paid | | –16 | –18 |
| Other financial income and expenses | | -3 | -1 |
| Income tax paid | | –38 | –48 |
| **Cash flow from operating activities before changes in working capital** | | **415** | **349** |
| Changes in working capital: | | | |
| – Increase/decrease in inventories | | 2 | 0 |
| – Increase/decrease in receivables | | 43 | 64 |
| – Increase/decrease in current liabilities | | 119 | 0 |
| **Total changes in working capital** | | **164** | **64** |
| **Cash flow from operating activities** | | **579** | **413** |
| **Investing activities** | | | |
| Acquisitions of: | | | |
| – intangible non-current assets | | –98 | –60 |
| – property, plant and equipment | | –8 | –21 |
| – subsidiaries and businesses | 33 | –271 | –248 |
| Sales of: | | | |
| – property, plant and equipment | | 2 | 2 |
| – financial non-current assets | | — | 6 |
| **Cash flow from investing activities** | | **–375** | **–321** |
| **Financing activities** | | | |
| Dividend paid | | — | –84 |
| Loans raised | 35 | 263 | 116 |
| Repayment of loans | 35 | –70 | –236 |
| **Cash flow from financing activities** | | **193** | **–204** |
| **Change in cash and cash equivalents** | | **397** | **–112** |
| Cash and cash equivalents at start of year | | 294 | 387 |
| Exchange rate difference in cash and cash equivalents | | –47 | 19 |
| **Cash and cash equivalents at year-end** | 34 | **644** | **294** |

# CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

| | Attributable to owners of the Parent Company | | | | |
|---|---|---|---|---|---|
| SEK m | Share capital | Other capital contribu-tions | Reserves[1] | Profit brought forward | Total share-holders' equity |
| **Shareholders' equity according to adopted balance sheet per 31/12/2018** | **401** | **433** | **6** | **499** | **1,339** |
| **Comprehensive income** | | | | | |
| Net profit for the year | | | | 129 | 129 |
| *Other comprehensive income, items that will not be reclassified to profit or loss:* | | | | | |
| Actuarial gains and losses on pension obligations | | | | –1 | –1 |
| Capital gains on long-term securities holdings | | | | 4 | 4 |
| *Other comprehensive income, items that may be reclassified to profit or loss:* | | | | | |
| Exchange rate differences upon translation of foreign operations | | | 67 | | 67 |
| Hedge of net investments in foreign operations | | | –44 | | –44 |
| **Total other comprehensive income** | | | **23** | **3** | **26** |
| **Total comprehensive income** | | | **23** | **132** | **155** |
| **Transactions with shareholders** | | | | | |
| Dividend | | | | –84 | –84 |
| **Total transactions with shareholders** | | | | **–84** | **–84** |
| **SHAREHOLDERS' EQUITY, 31/12/2019** | **401** | **433** | **29** | **547** | **1,410** |
| **Comprehensive income** | | | | | |
| Net profit for the year | | | | 163 | 163 |
| *Other comprehensive income, items that will not be reclassified to profit or loss:* | | | | | |
| Actuarial gains and losses on pension obligations | | | | 0 | 0 |
| *Other comprehensive income, items that may be reclassified to profit or loss:* | | | | | |
| Exchange rate differences upon translation of foreign operations | | | –124 | | –124 |
| Hedge of net investments in foreign operations | | | 63 | | 63 |
| **Total other comprehensive income** | | | **–61** | **0** | **–61** |
| **Total comprehensive income** | | | **–61** | **163** | **102** |
| **Transactions with shareholders** | | | | | |
| Dividend | | | | — | — |
| **Total transactions with shareholders** | | | | — | — |
| **SHAREHOLDERS' EQUITY, 31/12/2020** | **401** | **433** | **–32** | **710** | **1,512** |

*1) Pertains to exchange rate differences upon translation of foreign operations, and gains and losses attributable to hedges of net investments in foreign operations (see also Note 24).*

# PARENT COMPANY INCOME STATEMENTS

| SEK m 1 January–31 December | Note | 2020 | 2019 |
|---|---|---|---|
| Net sales | 38 | 18 | 16 |
| **Operating expenses** | | | |
| Other external costs | 6, 38 | –36 | –31 |
| Personnel costs | 4 | –23 | –23 |
| Depreciation/amortisation of property, plant and equipment and intangible non-current assets | 15, 16 | 0 | 0 |
| **Operating profit** | | **–41** | **–38** |
| **Net financial items** | | | |
| Profit from participations in Group companies | 9 | 97 | 343 |
| Profit from other securities that are non-current assets | 9 | — | 1 |
| Interest income and similar profit/loss items | 9 | 5 | 3 |
| Interest expense and similar profit/loss items | 10 | –17 | –24 |
| **Profit after financial items** | | **44** | **285** |
| **Appropriations** | | | |
| Provision to tax allocation reserve | | –25 | –22 |
| **Profit before tax** | | **19** | **263** |
| Tax | 11, 12 | –16 | –14 |
| **Net profit for the year** | | **3** | **249** |

# PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

| SEK m 1 January–31 December | Note | 2020 | 2019 |
|---|---|---|---|
| Net profit for the year | | 3 | 249 |
| **Total other comprehensive income for the year, net after tax** | | **0** | **0** |
| **Comprehensive income for the year** | | **3** | **249** |

# PARENT COMPANY BALANCE SHEETS

| SEK per 31 December | Note | 2020 | 2019 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| *Intangible assets* | | | |
| Software | 15 | 0 | 0 |
| **Total intangible non-current assets** | | **0** | **0** |
| *Property, plant and equipment* | | | |
| Equipment and installations | 16 | 0 | 0 |
| **Total property, plant and equipment** | | **0** | **0** |
| *Financial assets* | | | |
| Participations in Group companies | 18 | 2,434 | 2,064 |
| Other long-term securities holdings | 20 | 1 | 1 |
| Deferred tax assets | 12 | 0 | 0 |
| Receivables from Group companies | | 3 | 8 |
| **Total financial assets** | | **2,438** | **2,073** |
| **Total non-current assets** | | **2,438** | **2,073** |
| **CURRENT ASSETS** | | | |
| *Current receivables* | | | |
| Receivables from Group companies | 23 | 40 | 85 |
| Taxes receivable | | – | 1 |
| Other receivables | | 2 | 1 |
| Prepaid expenses and accrued income | 22 | 8 | 3 |
| **Total current receivables** | | **50** | **90** |
| Cash and bank balances | 23 | 518 | 235 |
| **Total current assets** | | **568** | **325** |
| **TOTAL ASSETS** | | **3,006** | **2,398** |

# PARENT COMPANY BALANCE SHEETS

| SEK per 31 December | Note | 2020 | 2019 |
|---|---|---|---|
| **SHAREHOLDERS' EQUITY AND LIABILITIES** | | | |
| **Shareholders' equity** | 24 | | |
| *Restricted shareholders' equity* | | | |
| Share capital | 24 | 401 | 401 |
| Statutory reserve | | 89 | 89 |
| *Unrestricted shareholders' equity* | 14 | | |
| Share premium reserve | | 344 | 344 |
| Profit brought forward | | 444 | 195 |
| Net profit for the year | | 3 | 249 |
| **Total shareholders' equity** | | **1,281** | **1,278** |
| **Untaxed reserves** | 25 | **96** | **72** |
| **Provisions** | | | |
| Other provisions | 27 | 117 | 8 |
| **Total provisions** | | **117** | **8** |
| **Current liabilities** | | | |
| Liabilities to credit institutions | 26, 28 | 707 | 443 |
| Trade payables | | 3 | 2 |
| Liabilities to Group companies | 23 | 784 | 573 |
| Taxes payable | | 1 | – |
| Other liabilities | | 4 | 9 |
| Accrued expenses and deferred income | 29 | 13 | 13 |
| **Total current liabilities** | | **1,512** | **1,040** |
| **TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES** | | **3,006** | **2,398** |

Pledged assets and contingent liabilities are reported in Note 30 and Note 31, respectively.

# PARENT COMPANY CASH FLOW STATEMENTS

| SEK m 1 January–31 December | Note | 2020 | 2019 |
|---|---|---|---|
| **Operating activities** | | | |
| Operating profit | | -41 | –38 |
| Depreciation/amortisation | | 0 | 0 |
| Adjustments for other non-cash items | | — | — |
| **Sub-total** | | **–41** | **–38** |
| Interest received | | 2 | 2 |
| Dividends received | | 30 | 251 |
| Interest paid | | –13 | –15 |
| Other financial income and expense | | 0 | -2 |
| Income tax paid | | –14 | –14 |
| **Cash flow from operating activities before changes in working capital** | | **–36** | **184** |
| Changes in working capital: | | | |
| – Change in current receivables | | –6 | 0 |
| – Change in current liabilities | | 2 | 0 |
| **Total changes in working capital** | | **–4** | **0** |
| **Cash flow from operating activities** | | **–40** | **184** |
| **Investing activities** | | | |
| Acquisitions of and investments in participations in Group companies | | –356 | –252 |
| Sale of participations in Group companies | | 4 | — |
| Acquisition of other long-term securities holdings | | — | 0 |
| **Cash flow from investing activities** | | **–352** | **–252** |
| **Financing activities** | | | |
| Paid dividend | | — | –84 |
| Loans raised | | 263 | 116 |
| Repayment of loans | | — | –166 |
| Change in intra-Group receivables and liabilities | | 266 | 120 |
| Group contributions received | | 146 | 130 |
| **Cash flow from financing activities** | | **675** | **116** |
| **Change in cash and cash equivalents** | | **283** | **48** |
| Cash and cash equivalents at start of year | | 235 | 187 |
| Exchange rate differences in cash and cash equivalents | | 0 | 0 |
| **Cash and cash equivalents at year-end** | 23 | **518** | **235** |

# PARENT COMPANY STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY

| | Restricted shareholders' equity | | | |
|---|---|---|---|---|
| SEK m | Share capital | Statutory reserve | Unrestricted shareholders' equity | Total shareholders' equity |
| **Shareholders' equity at 1/1/2019** | **401** | **89** | **623** | **1,113** |
| **Comprehensive income** | | | | |
| Net profit for the year | | | 249 | 249 |
| **Total other comprehensive income** | | | **0** | **0** |
| **Total comprehensive income** | | | **249** | **249** |
| **Transactions with shareholders** | | | | |
| Dividend | | | -84 | -84 |
| **Total transactions with shareholders** | | | **-84** | **-84** |
| **SHAREHOLDERS' EQUITY, 31/12/2019** | **401** | **89** | **788** | **1,278** |
| **Comprehensive income** | | | | |
| Net profit for the year | | | 3 | 3 |
| **Total other comprehensive income** | | | **0** | **0** |
| **Total comprehensive income** | | | **3** | **3** |
| **Transactions with shareholders** | | | | |
| Dividend | | | – | – |
| **Total transactions with shareholders** | | | **–** | **–** |
| **SHAREHOLDERS' EQUITY, 31/12/2020** | **401** | **89** | **791** | **1,281** |

# SUPPLEMENTARY DISCLOSURES AND NOTES

NOTE 1

## ACCOUNTING AND VALUATION POLICIES

The most important accounting policies applied when preparing these consolidated financial statements are stated below. These policies have been applied consistently for all years presented, unless otherwise indicated.

The consolidated financial statements have been prepared in accordance with the Swedish Annual Accounts Act, Swedish Financial Reporting Board (RFR) recommendation RFR 1 Supplementary Accounting Rules for Groups, and International Financial Reporting Standards (IFRS) as endorsed by the EU. The consolidated financial statements have been prepared in accordance with the cost method, except for remeasurement of financial assets and liabilities measured at fair value through other comprehensive income and financial assets and liabilities measured at fair value through profit or loss.

Preparing financial statements in conformity with IFRS requires the use of certain important accounting estimates. It also requires management to make certain assessments in applying the Group's accounting policies. The areas involving a high degree of assessment or complexity, or areas where assumptions and estimates are of significant importance for the consolidated financial statements, are addressed in Note 37.

**New standards that came into force in 2020**

***Amendment of IFRS 3 Business Combinations concerning definition of a business***

IASB has issued amendments to IFRS 3 concerning the definition of a business combination. The classification of an acquisition as either an asset acquisition or business acquisition gives rise to accounting differences. The amendment is expected to result in fewer company acquisitions being classified as business acquisitions and instead being classified as asset acquisitions. This affects, among other things, reporting of goodwill, deferred tax, contingent consideration and transaction costs that are expensed in connection with a business acquisition. Companies can choose to perform a concentration test to enable a simplified assessment of whether an acquisition is an asset acquisition, which is the case if the fair value of the acquired gross assets is in all essential respects concentrated to an identifiable asset or group of similar assets. The changes are applied prospectively for transactions that are conducted during financial years starting on 1 January 2020 or later. The acquisitions that Addnode Group conducted during 2020 have been reported as business acquisitions.

***Amendments of IAS 1 and IAS 8 concerning definition of material***

The amendment is intended to harmonise the definition of material between different IFRSs and clarify the purport of the concept. The amendment clarifies that whether or not information is material depends on the nature or magnitude of information, or both together. The definition has also been amended from that the information may influence users of financial statements to that the information can reasonably be expected to influence. The concept of users of financial statements has also been clarified to the primary users to prevent the concept of users from being interpreted too broadly. The amendments are applied for financial years starting on 1 January 2020 or later.

***Amendment to IFRS 16 Leases pertaining to rent concessions as a result of the Covid-19 pandemic***

In May 2020 the IASB introduced a relief rule for IFRS 16, which in short entails that a lessee is not required to determine if a rent concession, in response to the Covid-19 pandemic, entails a modification of an existing lease or not. Thus the rent concession for a lessee can be recognised directly through profit or loss. The Group has not applied the relief rule for the limited, temporary rent concessions in 2020.

The amendments described above plus other new and amended standards and interpretations of existing standards that came into effect in 2020 have not had any material effect on the Group's financial position or financial statements.

**New standards that have not yet come into force in 2020**

Published new and amended standards and interpretations of existing standards that have not yet taken effect in 2020 nor have begun to be applied are not expected to have any material effect on the consolidated financial statements.

### CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements cover the Parent Company and the companies over which the Parent Company, directly or indirectly, has control. The Parent Company has control of an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its influence over the entity.

The consolidated financial statements have been prepared in accordance with the acquisition method, which entails that the shareholders' equity of subsidiaries on acquisition, determined as the difference between the fair value of the assets and the liabilities, is eliminated in its entirety. Only the part of the subsidiaries' shareholders' equity that accrued after the acquisition is included in the Group's shareholders' equity.

The purchase price for the acquisition of a subsidiary consists of the fair value of the assets transferred to the former owners of the acquired company, the liabilities incurred by the Group to the former owners, and the new shares issued by the Group. The purchase price also includes the fair value of assets or liabilities resulting from a contingent consideration arrangement. Subsequent changes in the fair value of contingent consideration are recognised through profit or loss. Transaction costs in conjunction with acquisitions are expensed in the consolidated income statement when they arise.

Companies acquired during the year are included in the consolidated financial statements in amounts pertaining to the period after the acquisition. The profit or loss from companies sold during the year is included in the consolidated income statement for the period until the divestment date.

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (functional currency). The consolidated financial statements are presented in Swedish kronor (SEK), which is the Parent Company's functional currency and presentation currency. All foreign subsidiaries are translated to SEK by applying the current method. This means that all of the assets and liabilities of foreign subsidiaries are translated at the exchange rate

*Note 1, cont.*

in effect on the balance sheet date. All items in the income statements are translated at the respective months' average rate. Translation differences are recognised in the consolidated statement of comprehensive income.

Intra-Group transactions and balance sheet items, as well as unrealised gains on transactions between Group companies, are eliminated in their entirety. Unrealised losses are also eliminated, unless the transaction provides evidence of impairment of the transferred asset. Where necessary, the accounting policies for subsidiaries have been adjusted to guarantee consistent application of the Group's policies.

The consolidated income statement includes non-controlling interests (previously termed "minority shares") under net profit for the year. On the consolidated balance sheet, non-controlling interests are reported as a separate item under the Group's shareholders' equity.

In connection with each individual company acquisition, the Group determines whether non-controlling interests are to be measured at either fair value or at the proportional share of net assets of the acquired company. Transactions with non-controlling interests that do not result in a change in control are reported in shareholders' equity. When the Group no longer has control, each remaining holding is measured at fair value at the date on which control ceased. Changes in carrying amounts are then recognised in the consolidated income statement. The fair value subsequently forms the basis of future reporting of the remaining holding as an associated company, joint venture or financial asset.

## REVENUE RECOGNITION

Revenue is recognised when the customer gains control over the sold product or service, which entails that the customer can decide on the use of the asset and draw benefit from it. Revenue is recognised in the manner that best reflects the transfer of the promised good or service to the customer at the amount that the company expects to be entitled to receive in exchange for the transferred product or service. This recognition is conducted with the help of a five-step model:

Step 1: Identify the contract with the customer
Step 2: Identify the various performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations
Step 5: Recognise revenue when the performance obligation is fulfilled

The Group's revenue is derived mainly from consulting services, licences for own and external vendors' software, and recurring revenue from software subscriptions, support and maintenance services, and SaaS solutions.

Service assignments performed on a current account basis are recognised as revenue in pace with performance of the services, i.e., both revenue and expenses are recognised in the period in which they are earned and consumed, respectively. Fees earned as per the balance sheet date that have not been invoiced are recognised as accrued income. When the outcome of a fixed-price assignment can be reliably calculated, income and expenses attributable to the assignment are recognised as revenue and expenses in proportion to the degree of completion as per the balance sheet date (percentage of completion). The degree of completion is primarily determined based on the number of hours as per the balance sheet date in proportion to the estimated total number of hours for the assignment. If it is difficult to calculate the earnings of an assignment, yet nevertheless probable that costs incurred will be covered by the customer, revenue is recognised as per the balance sheet date in an amount corresponding to the costs incurred for the assignment. Accordingly, no profit is recognised.

When the outcome of an assignment cannot be reliably calculated, only the costs that the customer is expected to pay are recognised as revenue. No revenue is recognised if it is probable that expenses incurred will not be paid by the customer. An expected loss is immediately recognised as an expense to the extent that it can be calculated.

Fixed-price assignments currently make up a small portion of the Group's net sales. Invoiced fees for fixed-price service assignments that have not been performed are recognised as advances from customers.

Licence fees for software, which represent a distinct performance obligation, are recognised as revenue immediately upon delivery, as the customer gains control over the software. Licences for proprietary software may in certain cases be included as part of a larger implementation project with a high degree of customisation. If these performance obligations are determined to be so integrated that they each constitute distinct performance obligations, the licence revenue is recognised successively in pace with performance of the implementation services.

Software subscriptions and support and maintenance agreements where companies in the Group do not have any obligation to the customer are recognised as revenue immediately at the inception of the contract, as the performance obligation has been fulfilled. Software subscriptions and support and maintenance agreements where companies in the Group have an obligation to the customer are recognised as revenue on a linear basis during the contract period in pace with completion of the performance obligation. Revenue for SaaS solutions is recognised in pace with provision of the services.

If a customer contract contains several distinct performance obligations, the transaction price is allocated to each of the separate performance obligations based on their standalone sales prices. In cases where the standalone sales prices are not directly observable, the price is estimated based on the anticipated costs plus a profit margin.

Sales of products may arise to a limited extent and are recognised as revenue upon completion of delivery to the customer.

The Group's revenue from contracts with customers is described in more detail in Notes 2 and 3.

## REPORTING OF GOVERNMENT ASSISTANCE

Government assistance is reported at fair value when there is reasonable certainty that the assistance will be received and that the Group will meet the conditions associated with the assistance. Government assistance that pertains to cost coverage is allocated and recognised in the income statement in the same period as the costs that the assistance is intended to compensate.

During 2020 the Group received government assistance to compensate for personnel costs in connection with the Covid-19 pandemic. In accordance with IAS 20, government assistance is recognised net in personnel costs. The Group's reporting of government assistance and other support measures is described in more detail in Note 4.

## INCOME TAXES

Reported income taxes include tax to be paid or received for the current year, adjustments of current tax for previous years and changes in deferred tax.

Measurement of all tax liabilities/assets is done at nominal amounts in accordance with the tax regulations and tax rates that

*Note 1, cont.*

have been decided on or announced, and which are likely to be adopted.

Tax is recognised through profit or loss, except when the tax pertains to items recognised in other comprehensive income or directly in shareholders' equity. In such cases, tax is also recognised in other comprehensive income or shareholders' equity.

Deferred tax is calculated using the balance sheet method on all temporary differences arising between the recognised and tax values of assets and liabilities. Deferred tax assets pertaining to tax loss carryforwards or other future tax deductions are recognised to the extent that it is likely that the deductions can be offset against surpluses in connection with future taxation.

## RECEIVABLES, AND RECEIVABLES AND LIABILITIES IN FOREIGN CURRENCY

Loan receivables and trade receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. These items are distinguished by the fact that they arise when the Group provides funds, goods or services directly to a customer without intending to trade in the receivables. They are included under current assets, with the exception of items falling due more than 12 months after the balance sheet date, which are classified as non-current assets. Loan receivables and trade receivables are initially measured at fair value and subsequently at amortised cost by applying the effective interest method, less any provisions for impairment. A reserve is established for impairment when the amount that is expected to be paid following an individual assessment is less than the carrying amount of the asset. A provision for anticipated credit losses is also made in accordance with IFRS 9.

Receivables and liabilities in foreign currency are measured at the exchange rate in effect on the balance sheet date. In cases where currency hedges have been applied, for example forward contracts, both the hedged item and the hedging instrument are measured at fair value. Transactions in foreign currency are translated at the spot rate on the transaction date. Exchange rate differences pertaining to operating receivables and liabilities are recognised in operating profit, while exchange rate differences pertaining to cash and cash equivalents and loans are recognised as financial income and expenses in the income statement. Remeasurement of liabilities at the exchange rate in effect on the balance sheet date for consideration paid and provisions for estimated contingent consideration in foreign currency as well as bank loans in foreign currency is recognised in the consolidated statement of comprehensive income if the requirements for hedge accounting of net investments in foreign operations are met.

## NON-CURRENT ASSETS

Non-current assets are measured at cost less accumulated depreciation and any impairment.

If there is an indication that an asset has declined in value, the recoverable amount of the asset is calculated. If the asset's carrying amount exceeds the recoverable amount, the asset is immediately written down to its recoverable amount.

## INTANGIBLE NON-CURRENT ASSETS

**Costs for software development**

Software development is conducted mainly within the framework of customer assignments.

Costs that are directly related to identifiable and unique software that is controlled by the Group are reported as intangible non-current assets if there is a clearly defined development project with specific plans for how and when the asset is to be used in the operations, the cost can be calculated reliably, and the asset is expected to generate future financial benefits. In addition, it should also be technically possible to carry out the project, and the resources required to complete development must be available. Other development costs that do not meet these criteria are expensed as incurred. Development costs that were previously expensed are not reported as an asset in subsequent periods.

The cost of the intangible asset includes direct costs for, for example, consultants and personnel developing proprietary software, and a reasonable share of relevant indirect costs. Scheduled amortisation is done on a straight-line basis over the estimated useful life, which is either three or five years. A three-year amortisation schedule is used for software that is developed as an additional component to an external vendor's software or platform. A five-year amortisation schedule is used for entirely proprietary software that is not based on an external vendor's software or platform. Amortisation is recognised from the date on which the software becomes operational.

**Goodwill and intangible assets with indefinite useful life**

Goodwill consists of the amount by which the cost for acquisition of companies or businesses exceeds the fair value of the acquired identifiable net assets on the acquisition date. In the purchase price allocation analysis, acquired intangible assets, such as customer relationships, software and certain trademarks, are stated at market value before the remainder is attributed to goodwill.

Goodwill and other intangible assets with indefinite useful life are measured at cost less any impairment. Scheduled amortisation is not conducted; instead, an impairment test is conducted yearly or more often if there is an indication of a decline in value.

**Other intangible assets**

Other intangible assets pertain mainly to customer agreements, acquired software, trademarks and administrative software. These assets are recognised at cost less scheduled amortisation. Amortisation is done on a straight-line basis over the estimated useful life, which is either five or seven years.

## PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are reported at cost less depreciation. Costs for repairs and maintenance are expensed.

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful life of the assets. The asset's residual value is taken into account when determining the depreciable amount of the asset. Equipment and installations are depreciated over a period of three to five years. Depreciation of buildings is done at 4 per cent per year. No depreciation is done of the office building that was included in the acquisition of Excitech Ltd in the UK in 2020, since the intention is to sell it through a sale/leaseback transaction.

## LEASES

The Group's leases consist mainly of rental contracts for premises and leases for company cars. Starting on 1 January 2019, all leases where the Group is the lessee, except for short-term leases and leases with a low value, are recognised on the balance sheet as right-of-use assets and corresponding financial liabilities. The right-of-use assets are included in property, plant and equipment, and the financial liabilities are included in interest-bearing liabilities. In the consolidated income statement, an expense is recognised for depreciation of the leased asset along with interest expense for the financial liability.

*Note 1, cont.*

Assets and liabilities arising out leases are initially recognised at the present value of the future lease payments when the leased asset is available for use by the Group. The future lease payments are discounted using the lease's implicit rate. If this interest rate cannot be easily determined, the lessee's incremental borrowing rate is used. The lease payments are divided into amortisation of principal and payment of interest. The interest is recognised through profit or loss over the term of the lease in a way that conveys a fixed interest rate for the lease liability that is recognised during the respective period.

Right-of-use assets are ordinarily depreciated on a straight-line basis over the shorter of the useful life and the lease term. Payments for short-term leases and leases where the underlying assets are of low value are expensed on a linear basis in the income statement. A more detailed description of the Group's lease activities and reporting of these is provided in Note 17.

## FINANCIAL INSTRUMENTS

Financial instruments include cash and cash equivalents, securities holdings, receivables, operating liabilities, liabilities under leases, borrowings and any derivative instruments. Purchases and sales of securities and derivative instruments are recognised on the trade date, i.e., the date on which a binding purchase or sale contract was signed. The fair value of market-listed securities is based on the purchase price on the balance sheet date.

Securities intended to held in the long term and any short-term investments are attributed to the measurement categories of either financial assets at fair value through other comprehensive income, financial assets at fair value through profit or loss, or financial assets at amortised cost. The measurement category is determined separately for each holding of securities based on the nature of the contractual cash flows and the company's business model for asset management, i.e., based on the nature and the purpose of the holding.

For financial assets measured at fair value through profit or loss, changes in fair value are recognised as financial income and financial expenses, respectively, in profit or loss. However, changes in value regarding forward exchange contracts are recognised in operating profit (see below).

Changes in fair value of financial assets measured at fair value through other comprehensive income are recognised in the consolidated statement of comprehensive income during the holding period. Upon divestment of the instrument, no reclassification of accumulated changes in value is made to financial income and financial expense in the income statement.

For the category financial liabilities at fair value through profit or loss (mainly provisions for estimated contingent consideration), changes in value are recognised as financial items in the income statement. Other financial liabilities are recognised at amortised cost. However, liabilities pertaining to leases are recognised at the present value of the remaining lease payments.

Any outstanding forward exchange contracts are measured at fair value. Forward exchange contracts pertain to hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedges). Hedge accounting according to IFRS 9 can be applied for certain forward exchange contracts. This means that unrealised changes in value are recognised in the consolidated statement of comprehensive income until the hedged item is to be recognised in the consolidated income statement, at which point the profit or loss for the corresponding foreign exchange forward contract is recognised in the consolidated income statement. When the formal conditions for hedge accounting are not met, outstanding forward exchange contracts are measured as independent financial instruments on their respective balance sheet dates, for which both realised and unrealised changes in value are recognised in operating profit. The Group had no outstanding forward exchange contracts as per 31/12/2020 or 31/12/2019.

## INVENTORIES

Inventories are measured at the lower of cost or net realisable value. Cost is calculated through application of the first-in, first-out (FIFO) principle. Net realisable value consists of the sales price in the operating activities less the estimated selling costs.

## SHAREHOLDERS' EQUITY

Common shares are classified as shareholders' equity. Transaction costs directly attributable to the issuance of new shares are recognised, net after tax, in shareholders' equity as a deduction from the issue proceeds.

When any Group company purchases Parent Company shares (a share repurchase), the purchase price paid, including any directly attributable transaction costs (net after tax), reduces the profit brought forward until the shares are extinguished or sold. If these shares are subsequently sold, the amount received for them (net after any transaction costs and tax effects) is recognised in profit brought forward.

## PROVISIONS

Provisions are defined as obligations that are attributable to the financial year or previous financial years and that are certain or likely to arise as per the balance sheet date, but for which the amount or the date on which the obligations are to be realised are uncertain. Provisions for estimated contingent consideration for acquisitions of businesses and for restructuring measures that have been decided on are recognised on the balance sheet. A provision for restructuring costs is reported when a detailed plan for the implementation of the measures exists and when this plan has been communicated to those affected.

## PENSIONS

The Group's pension plans are administered almost exclusively by various insurance institutions. The Group primarily has defined contribution pension plans, although defined benefit pension plans also exist to a certain extent. The Group's payments toward defined contribution plans are recognised as personnel costs in the income statement during the period in which the employee performed the services and that the contributions pertain to.

The defined benefit plans pertain in all essential respects to obligations for retirement pensions and family pensions for salaried employees in Sweden, which are secured through insurance with Alecta. According to a statement from the Swedish Financial Reporting Board, UFR 10, this is classified a defined benefit multi-employer plan. For the 2020 financial year, the Group did not have access to the type of information required for recognising these plans as defined benefit plans. As a result, the ITP (individual supplementary pension) plans that are secured through insurance with Alecta are reported as defined contribution plans. Contributions are recognised as personnel costs in profit or loss when they fall due for payment. Fees for pension insurance taken out with Alecta amounted to SEK 7 m (8) in 2020 and are expected to be roughly the same in 2021. Alecta's surplus can be distributed to the policyholders and/or insureds. At year-end 2020 Alecta's surplus in the form of its collective funding

*Note 1, cont.*

ratio was 148 per cent (148). The collective funding ratio is defined as the market value of Alecta's assets as a percentage of its insurance obligations calculated using Alecta's actuarial assumptions, which are not compatible with IAS 19.

The German subsidiary TECHNIA GmbH has defined benefit pension obligations for five employees. The provision reported on the balance sheet for these pension obligations corresponds to the present value of the obligations on the balance sheet date and has been calculated in accordance with IAS 19 by an independent actuary. The provision as per 31/12/2020 amounted to SEK 9 m (9) (see Note 27). Actuarial gains and losses are recognised in the consolidated statement of comprehensive income in the periods in which they arise.

### BORROWINGS

Borrowings are initially measured at fair value, net after transaction costs. Borrowings are subsequently measured at amortised cost, and any difference between the amount received (net after transaction costs) and the repayment amount is recognised through profit or loss, distributed over the term of the loan, using the effective interest method.

Borrowings are classified as current liabilities, unless the Group has an unconditional right to defer payment of the liability for at least 12 months after the balance sheet date.

### TRADE PAYABLES

Trade payables are commitments to pay for goods or services acquired in operating activities from vendors. Trade payables are classified as current liabilities if they fall due within one year after the balance sheet date; otherwise they are classified as non-current liabilities. Trade payables are initially measured at fair value and thereafter at amortised cost by applying the effective interest method.

### IMPAIRMENT

Assets with indefinite useful life, such as goodwill, are not amortised but are tested at least yearly for impairment. When impairment tests are performed, goodwill is distributed between the cash-generating units or groups of cash-generating units, determined in accordance with the Group's operating segments that are expected to benefit from the business combination in which the goodwill item arose.

Depreciated/amortised assets are assessed with regard to any decrease in value whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less selling costs and its value in use.

### REPORTING FOR OPERATING SEGMENTS

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the function that is responsible for allocating resources and assessing the performance of the operating segments. For the Group, this function has been identified as the President of the Parent Company.

### STATEMENT OF CASH FLOWS, AND CASH AND CASH EQUIVALENTS

The statement of cash flows is prepared in accordance with the indirect method. The reported cash flows include only transactions that involve cash inflows and outflows.

Cash and cash equivalents include cash, bank balances and short-term investments with a remaining term of less than three months from the acquisition date.

### PARENT COMPANY

The Parent Company's accounts are prepared in accordance with the Swedish Annual Accounts Act and Swedish Financial Reporting Board recommendation RFR 2 Accounting for Legal Entities. The recommendation entails that legal entities whose securities are listed on a Swedish stock exchange on the balance sheet date are, as a main rule, to apply the IFRSs used in the consolidated financial statements along with certain exemptions and additions stated in the recommendation.

The accounting policies and calculation methods for the Parent Company are unchanged compared with the preceding year.

Financial instruments, such as long-term securities holdings, are measured at fair value. Changes in fair value are recognised in accordance with the same principles as for the Group (see the description above). Participations in Group companies are reported at cost less any impairment. The cost of participations in Group companies includes transaction costs that arose in conjunction with the acquisition. Contingent consideration is recognised as a part of cost if it is probable that such consideration will be paid. Any remeasurement of estimated contingent consideration in subsequent periods is recognised as a change in the cost of participations in Group companies. Liabilities for consideration in foreign currency and provisions for estimated contingent consideration in foreign currency may in certain cases be treated in the accounts as a hedge of net investments in foreign operations. In such case the Parent Company recognises the liabilities and provisions at the exchange rate in effect on the acquisition date until they are settled, at which point realised exchange rate differences are recognised as a change in the cost of participations in Group companies. Certain bank loans in foreign currency are also treated for accounting purposes as hedges of net investments in foreign currency, entailing that such bank loans are stated at cost. Other assets and liabilities are stated at historical cost less depreciation/amortisation and any impairment. Dividends received and Group contributions received are reported as financial income.

In the Parent Company, all leases are recognised as rental contracts, whereby the lease payments are expensed in the income statement on a linear basis over the lease term.

## NOTE 2

## OPERATING SEGMENTS

Addnode Group's operations are organised and governed based on the Design Management, Product Lifecycle Management (PLM) and Process Management divisions, which make up the Group's operating segments. Within Addnode Group's three divisions the subsidiaries develop and deliver software and digital solutions to customers in industries such as construction and real estate, manufacturing, automotive, and life sciences as well as the public sector. The solutions that Addnode Group provides make it possible for the Group's customers to adopt digital ways of working to improve the efficiency of their operations, quality-assure their production and communicate more seamlessly with customers and citizens. No changes were made in the segment breakdown in 2020. The segment breakdown is based on the Group's products and services. Design Management sells digital solutions for design, projects and

*Note 2, cont.*

facility management. Product Lifecycle Management offers digital solutions for design and product data management. The operations of Process Management are focused on digital solutions for document and case management. Centralised work is conducted in market communications, financial reporting and control, financing, tax issues, business development and company acquisitions.

A breakdown of the Group's net sales by the various types of revenue is provided in Note 3. All of the divisions receive revenue, including recurring revenue, from services, licences and software, although the share of revenue from each type of revenue varies between the divisions. Design Management and Product Lifecycle Management mainly receive recurring revenue. For Process Management, services for proprietary software are the primary revenue stream. Revenue for central units primarily pertains to invoicing to subsidiaries for rents of premises and services performed. Transactions between the divisions are normally conducted in accordance with normal commercial terms, which also apply for external parties.

The effect of IFRS 16 has not been allocated to the divisions in the table below but is included in the "Central" column. In other respects, the segments' earnings are reported according to the same accounting policies as the Group. The difference between the sum of the segments' operating profit and consolidated profit before tax pertains to financial income of SEK 3 m (4), financial expenses of SEK –21 m (–21), and remeasurement of contingent consideration, totalling SEK 0 m (–26).

Operating capital is defined as the sum of goodwill and other intangible non-current assets, property, plant and equipment excluding IFRS 16 effects, financial assets, trade receivables and other operating assets less trade payables and other operating liabilities.

| | ***Design Mgt*** | | ***PLM*** | | ***Process Mgt*** | | ***Central*** | | ***Eliminations*** | | ***Group*** | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| ***SEK m*** | ***2020*** | ***2019*** | ***2020*** | ***2019*** | ***2020*** | ***2019*** | ***2020*** | ***2019*** | ***2020*** | ***2019*** | ***2020*** | ***2019*** |
| **Revenue and earnings** | | | | | | | | | | | | |
| Revenue from external customers | 1,855 | 1,382 | 1,135 | 1,267 | 816 | 784 | 1 | 1 | — | — | 3,807 | 3,434 |
| Transactions between segments | 5 | 5 | 6 | 5 | 11 | 13 | 13 | 12 | –35 | –35 | 0 | 0 |
| **Total revenue** | **1,860** | **1,387** | **1,141** | **1,272** | **827** | **797** | **14** | **13** | **–35** | **–35** | **3,807** | **3,434** |
| **EBITA** | **190** | **146** | **57** | **104** | **151** | **115** | **–42** | **–38** | **—** | **—** | **356** | **327** |
| **Operating profit/loss** | **133** | **101** | **23** | **73** | **115** | **82** | **–42** | **–38** | **—** | **—** | **229** | **218** |
| **Other disclosures** | | | | | | | | | | | | |
| Total operating capital | 722 | 630 | 564 | 589 | 529 | 484 | 5 | 22 | — | — | 1,820 | 1,725 |
| Investments in intangible assets and in property, plant and equipment | 40 | 32 | 43 | 27 | 21 | 19 | 77 | 59 | — | — | 181 | 137 |
| Depreciation/amortisation and impairment of intangible assets and of property, plant and equipment | –61 | –49 | –40 | –37 | –41 | –37 | –73 | –71 | — | — | –215 | –194 |
| Average number of employees | 565 | 415 | 654 | 644 | 532 | 524 | 7 | 7 | — | — | 1,758 | 1,590 |

**Geographic information**

The Group conducts business primarily in the Nordic countries, Germany, the UK and the USA. Most of the Group's business is in Sweden, where all of the divisions conduct business. Business in Norway is mainly conducted by Design Management, but also Product Lifecycle Management. Business in Finland and the UK is conducted by Design Management and Product Lifecycle Management. Business in Germany and the USA is conducted by Product Lifecycle Management.

The information below regarding revenue from external customers is based on where the group companies are domiciled.

| | ***Revenue from external customers*** | | ***Intangible assets and property, plant and equipment*** | |
|---|---|---|---|---|
| ***SEK m*** | ***2020*** | ***2019*** | ***2020*** | ***2019*** |
| Sweden | 1,443 | 1,478 | 1,109 | 958 |
| Norway | 314 | 339 | 212 | 195 |
| Finland | 195 | 200 | 51 | 54 |
| Denmark | 41 | 55 | 21 | 22 |
| Netherlands | 62 | 65 | 28 | 32 |
| Germany | 497 | 533 | 217 | 238 |
| UK | 1,090 | 559 | 653 | 521 |
| USA | 40 | 82 | 1 | 0 |
| Other countries | 125 | 123 | 38 | 43 |
| **Group** | **3,807** | **3,434** | **2,330** | **2,063** |

NOTE 3

## REVENUE FROM CONTRACTS WITH CUSTOMERS

The Group's net sales consist of the following, main revenue streams per operating segment.

| | *Design Mgt* | | *PLM* | | *Process Mgt* | | *Central* | | *Eliminations* | | *Group* | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| ***SEK m*** | ***2020*** | ***2019*** | ***2020*** | ***2019*** | ***2020*** | ***2019*** | ***2020*** | ***2019*** | ***2020*** | ***2019*** | ***2020*** | ***2019*** |
| Licences | 64 | 30 | 126 | 144 | 31 | 33 | — | — | 0 | 0 | 221 | 207 |
| Recurring revenue | 1,520 | 1,133 | 680 | 715 | 363 | 340 | — | — | –3 | –7 | 2,560 | 2,181 |
| Services | 232 | 214 | 327 | 399 | 410 | 398 | — | — | –6 | –5 | 963 | 1,006 |
| Other | 44 | 10 | 8 | 14 | 23 | 26 | 14 | 13 | –26 | –23 | 63 | 40 |
| **Total revenue** | **1,860** | **1,387** | **1,141** | **1,272** | **827** | **797** | **14** | **13** | **–35** | **–35** | **3,807** | **3,434** |

By recurring revenue is meant revenue of a yearly recurring character, such as revenue from support and maintenance contracts, and revenue from software subscriptions, rental agreements and SaaS solutions.

Following is a description of the Group's main types of revenue per division.

### *DESIGN MANAGEMENT*

| ***Products and services*** | ***Description of the nature, invoicing and point in time for fulfilment of the performance obligations as well as revenue recognition and important terms of payment*** |
|---|---|
| **Licences** | **Proprietary software and external software vendors**<br>Revenue for perpetual right of use for software is recognised immediately at the delivery date, when the customer gains control of the software. New sales of Autodesk software are made in the form of software subscriptions (see below). Customers are invoiced upon signing of the contract/at the delivery date, and terms of payment are normally 30 days. |
| **Recurring revenue** | **Software subscriptions and rental contracts**<br>Revenue from software subscriptions and rental contracts pertaining to time-restricted rights of use and updates of the Group's proprietary software, where companies in the Group have an obligation to the customer, is recognised on a linear basis during the contract term in pace with fulfilment of the performance obligation. The contract term is typically one year, but can be up to three years.<br>Revenue for software subscriptions and rental contracts pertaining to time-restricted rights of use and updates of software from Autodesk and other external vendors, where companies in the Group do not have an obligation to the customer, is recognised immediately at the inception of the contract. The contract term is typically one year but can be up to three years.<br><br>**Support and maintenance agreements**<br>Revenue from support and maintenance agreements where companies in the Group do not have an obligation to the customer is recognised immediately at the inception of the contract. The contract term is usually one year, but can be up to three years.<br>Revenue from support and maintenance agreements where companies in the Group have an obligation to the customer is recognised on a linear basis during the contract term in pace with fulfilment of the performance obligation. The contract term is typically one year, but can in certain cases be up to ten years.<br>For software subscriptions, rental contracts, and support and maintenance agreements, customers are usually invoiced in advance, whereby the period of time that is being invoiced can pertain to the entire or part of the contract term. Amounts invoiced in advance are recognised as deferred income on the balance sheet. The terms of payment are normally 30 days.<br><br>**SaaS solutions**<br>Revenue for SaaS solutions is recognised in pace with provision of the services. Customers are invoiced and typically pay for performed services monthly in arrears. |
| **Services** | Revenue from performed service assignments is recognised on account in pace with performance of the services. Customers are invoiced and typically pay for performed services monthly in arrears. Fixed price assignments are negligible. |

*Note 3, cont.*

***PRODUCT LIFECYCLE MANAGEMENT***

| *Products and services* | *Description of the nature, invoicing and point in time for fulfilment of the performance obligations as well as revenue recognition and important terms of payment* |
|---|---|
| Licences | **Proprietary software and external software vendors**<br>Revenue from perpetual right of use for software is recognised immediately at the delivery date, when the customer gains control of the software. Sales of Dassault Systèmes' software are now conducted to a greater extent in the form of software subscriptions (see below).<br>Customers are invoiced upon signing of the contract/at the delivery date, and terms of payment are normally 30 days. |
| Recurring revenue | **Software subscriptions and rental contracts**<br>Revenue from software subscriptions and rental contracts pertaining to time-restricted rights of use and updates, where companies in the Group have an obligation to the customer, is recognised on a linear basis during the contract period in pace with fulfilment of the performance obligation. The contract term is typically one year, but can vary between a quarter and in some cases several years.<br>**Support and maintenance agreements**<br>Revenue from support and maintenance agreements, where companies in the Group have an obligation to the customer is recognised on a linear basis during the contract period in pace with fulfilment of the performance obligation. The contract term is typically one year, but can vary between a quarter and in some cases several years.<br>For software subscriptions, rental contracts and support and maintenance agreements, customers are typically invoiced in advance, whereby the period of time being invoiced can pertain to either the entire or part of the contract period. Amounts invoiced in advance are recognised as deferred income on the balance sheet. Terms of payment are normally 30 days.<br>**SaaS solutions**<br>Revenue for SaaS solutions is negligible and is recognised in pace with provision of the services. Customers are invoiced and typically pay for performed services monthly in arrears. |
| Services | Revenue for performed service assignments on account is recognised in pace with provision of the services. Customers are typically invoiced and pay monthly in arrears. Fixed price assignments exist to some extent, whereby revenue is recognised in relation to completion of the assignment on the balance sheet date (percentage of completion). Invoiced fees for fixed-price assignments pertaining to services that have not yet been provided are recognised as customer advances on the balance sheet. |

***PROCESS MANAGEMENT***

| *Product and services* | *Description of the nature, invoicing and point in time for fulfilment of the performance obligations as well as revenue recognition and important terms of payment* |
|---|---|
| Licences | Revenue from perpetual right of use for software which constitutes a distinct performance obligation is recognised immediately at the delivery date, when the customer gains control of the software.<br>Customers are invoiced upon signing of the contract/at the delivery date, and terms of payment are normally 30 days. |
| Implementation of system solutions (combination of licences and services) | Licences for proprietary software can in certain cases be included as part of a larger implementation project with a high degree of customisation. If these performance obligations are considered to be so integrated that they each do not constitute a distinct performance obligation, the licence revenue is recognised in pace with completion of the implementation services. In these cases, invoicing and the terms of payment are often based on specific agreements reached with the customers. |
| Recurring revenue | **Support and maintenance agreements**<br>Revenue from support and maintenance agreements where companies in the Group have an obligation to the customer is recognised on a linear basis during the contract period in pace with fulfilment of the performance obligation. The contract term is typically one year, but can be several years.<br>Maintenance agreements pertaining to external vendors' software where companies in the Group do not have an obligation to the customer exist to some extent, and revenue for these is recognised immediately upon inception of the agreement, when the performance obligation has been fulfilled.<br>Customers are typically invoiced in advance, whereby the period of time that is invoiced can pertain to either all or part of the contract period. Amounts invoiced in advance are recognised as deferred income on the balance sheet. Terms of payment are normally 30 days.<br>**SaaS solutions**<br>Revenue from SaaS solutions is recognised in pace with provision of the services. Customers are invoiced and typically pay for performed services either monthly in advance or in arrears. Amounts invoiced in advance are recognised as deferred income on the balance sheet. Terms of payment are normally 30 days. |
| Services | Revenue for performed service assignments on account is recognised in pace with provision of the services. Customers are invoiced and typically pay monthly in arrears. Fixed price assignments exist to some extent, whereby revenue is recognised in relation to completion of the assignment on the balance sheet date (percentage of completion). Invoiced fees for fixed-price assignments pertaining to services that have not yet been provided are recognised as customer advances on the balance sheet. |

*Note 3, cont.,*

**Contract assets and contract liabilities**
Addnode Group recognises trade receivables when there is an unconditional right to payment for performed services. Accrued income is recognised for earned fees and other payment for performed services that have not yet been invoiced on the balance sheet date. Contracts invoiced in advance are recognised as deferred income on the balance sheet. Invoiced fees for fixed-price assignments for services that have not yet been performed are recognised as customer advances.

***Accrued income***
Of the year's opening balance of SEK 40 m (39), SEK 33 m (29) was invoiced in 2020. No significant impairment has been recognised for accrued income at the start of the year. Revenue recognised in 2020 is included in accrued income at year-end in the amount of SEK 51 m (28).

***Deferred income***
Of the year's opening balance of SEK 435 m (426), SEK 421 m (421) was recognised as revenue in 2020. Companies acquired in 2020 contributed SEK 20 m (3) to deferred income in 2020. Contracts invoiced in advance in 2020 are included in deferred income at year-end in the amount of SEK 493 m (430).

***Customer advances***
Of the year's opening balance of SEK 19 m (17), SEK 18 m (16) was recognised as revenue in 2020. Invoiced fees for fixed-price assignments for services that have not yet been performed are recognised in the closing balance for the year in the amount of SEK 27 m (18).

**Trade receivables and possible and anticipated credit losses**
Addnode Group has historically had very low costs for bad debts. The provision for bad debts on the balance sheet date of 31/12/2020 was SEK 8 m (4), which corresponds to 1.4 per cent (0.7) of total trade receivables. Profit for 2020 was negatively affected in the amount of SEK 5 m (2) for provisions for possible and anticipated credit losses. The Group's trade receivables are distributed among a large number of counterparties. The anticipated level of credit losses is very low in relation to outstanding trade receivables and net sales. In terms of monetary amounts, the effects of the model for calculating the provision for anticipated credit losses according to IFRS 9 have been negligible.

**Contract fees**
Addnode Group has not reported any assets due to fees for receiving or fulfilling contracts with customers.

**Transaction price allocated to remaining performance obligations**
The following table shows revenue that is expected to be recognised in the future pertaining to unfulfilled or partly unfulfilled performance obligations on the balance sheet date, and when revenue for these is expected to be recognised (SEK m).

| | ***31/12/2020*** | ***31/12/2019*** |
|---|---|---|
| Within one year after the balance sheet date | 134 | 104 |
| Later than one year but within five years from the balance sheet date | 184 | 187 |
| Later than five years from the balance sheet date | 17 | 34 |
| **Total** | **335** | **325** |

The table does not include performance obligations that are part of a contract with an original anticipated term of not more than one year or a contract under which the company has a right to variable consideration based on its completed performance, such as consulting contracts where the consideration consists of a fixed amount per hour of completed work (according to IFRS 15 points 121 and B16). Nor does the table include performance obligations that arose before the initial date of application of IFRS 15, i.e., 1/1/2018.

**Parent Company**
The Parent Company's net sales pertain mainly to invoicing to subsidiaries for rents of premises and performed services.

## NOTE 4

## SALARIES, OTHER REMUNERATION AND SOCIAL SECURITY COSTS

| | ***Group*** | | ***Parent Company*** | |
|---|---|---|---|---|
| ***SEK m*** | ***2020*** | ***2019*** | ***2020*** | ***2019*** |
| **Salaries and other remuneration for:** | | | | |
| – boards of directors, presidents and senior executives | 151 | 144 | 12 | 11 |
| – other employees | 949 | 830 | 4 | 5 |
| Government assistance for short-term work and sick pay costs | –22 | — | — | — |
| **Pension costs for:** | | | | |
| – boards of directors, presidents and senior executives | 19 | 18 | 2 | 2 |
| – other employees | 71 | 68 | 1 | 1 |
| Other social security costs | 255 | 242 | 6 | 6 |
| **Total** | **1,423** | **1,302** | **25** | **25** |
| Salaries and other remuneration for boards of directors, presidents and senior executives above include bonuses and similar, totalling | 26 | 24 | 3 | 3 |
| Number of persons included in the category of boards of directors, presidents and senior executives above | 139 | 135 | 11 | 9 |

*Note 4, cont.*

**Government assistance and other support measures**
During 2020 the Group received access to government assistance as part of the measures taken by the authorities in a number of the countries in Europe in which the Group's companies are active. In certain countries the government assistance has not been paid to the companies, but directly to the employees. In both cases it resulted in lower costs for the Group. The government assistance measures, which resulted in a temporary decrease in the Group's personnel costs by SEK 51 m in 2020, are described in more detail below.

***Government assistance***
As shown in the table above, the Group received government assistance totalling SEK 22 m in 2020 for short-term work and sick pay costs, which is reported as a decrease in the Group's personnel costs. Of this assistance, SEK 14 m is conditional, but the conditions are considered to have been met. The accounting policies for government assistance are described in more detail in Note 1.

***Other assistance measures that reduced personnel costs***
In addition to the government assistance, a temporary reduction of employer payroll taxes resulted lower social security costs in 2020, by SEK 10 m. In addition, the Group's payroll costs and other personnel costs were reduced by SEK 19 m in 2020 due to reduced working hours through short-term furloughs, mainly pertaining to Group companies in Germany and the UK.

## NOTE 5

## REMUNERATION OF THE BOARD OF DIRECTORS AND SENIOR EXECUTIVES

### *REMUNERATION AND OTHER BENEFITS IN 2020*

| ***SEK thousands*** | ***Base salary/ fees*** | ***Variable remuneration*** | ***Other benefits*** | ***Pension costs*** | ***Total 2020*** |
|---|---|---|---|---|---|
| Staffan Hanstorp, Chairman of the Board | 420 | — | — | — | 420[1] |
| Jan Andersson, director | 285 | — | — | — | 285 |
| Kristofer Arwin, director | 255 | — | — | — | 255 |
| Johanna Frelin, director | 200 | — | — | — | 200 |
| Sigrun Hjelmquist, director | 255 | — | — | — | 255 |
| Thord Wilkne, director | 220 | — | — | — | 220 |
| Kristina Willgård, director | 133 | — | — | — | 133 |
| Johan Andersson, CEO | 2,820 | 1,535 | 112 | 864 | 5,331 |
| Other senior executives (5 persons) | 8,344 | 3,068 | 233 | 1,819 | 13,464[2] |
| **Total** | **12,932** | **4,603** | **345** | **2,683** | **20,563** |

*1) In 2020 the Chairman of the Board, Staffan Hanstorp, invoiced the Parent Company SEK 2,509 thousand in fees, via a company, for consulting services related to the Group's acquisition opportunities, financing matters, strategic partnerships and overarching strategic matters. This amount is not included in the table above.*
*2) The Group CFO was contracted on a consultant basis during the period September 2019-March 2020. The fee paid to the staffing agency for the period January-March 2020 was SEK 1,249 thousand. This amount is not included in the table above.*

### *REMUNERATION AND OTHER BENEFITS IN 2019*

| ***SEK thousands*** | ***Base salary/fees*** | ***Variable remuneration*** | ***Other benefits*** | ***Pension costs*** | ***Total 2019*** |
|---|---|---|---|---|---|
| Staffan Hanstorp, Chairman of the Board | 412 | — | — | — | 412[3] |
| Jan Andersson, director | 278 | — | — | — | 278 |
| Kristofer Arwin, director | 248 | — | — | — | 248 |
| Johanna Frelin, director | 197 | — | — | — | 197 |
| Sigrun Hjelmquist, director | 248 | — | — | — | 248 |
| Thord Wilkne, director | 215 | — | — | — | 215 |
| Johan Andersson, CEO | 2,940 | 2,283 | 114 | 864 | 6,201 |
| Other senior executives (4 persons) | 7,409 | 2,544 | 247 | 1,462 | 11,662[4] |
| **Total** | **11,947** | **4,827** | **361** | **2,326** | **19,461** |

*3) In 2019 the Chairman of the Board, Staffan Hanstorp, invoiced the Parent Company SEK 2,520 thousand in fees, via a company, for consulting services related to the Group's acquisition opportunities, financing matters, strategic partnerships and overarching strategic matters. This amount is not included in the table above.*
*4) The Group CFO was contracted on a consultant basis during the period September 2019-March 2020. The fee paid to the staffing agency for the period September–December 2019 was SEK 1,462 thousand. This amount is not included in the table above.*

*Note 5, cont.*

## GUIDELINES APPROVED BY THE ANNUAL GENERAL MEETING IN MAY 2020

Guidelines for remuneration of senior executives, which were approved by the Annual General Meeting in May 2020, are described in the Board of Directors' Report on pages 60-61.

## REMUNERATION AND BENEFITS FOR THE BOARD OF DIRECTORS AND SENIOR EXECUTIVES IN 2020

**Parent Company Board of Directors**

For the time between the 2020 and 2021 Annual General Meetings, a fixed fee of SEK 400 thousand is payable to the Chairman of the Board and SEK 200 thousand to each of the other board members. A fee of SEK 85 thousand is payable to the Audit Committee chair, and a fee of SEK 55 thousand is payable to each of the two other members of the Audit Committee. A fee of SEK 20 thousand is payable to each of the two members of the Board's Remuneration Committee. During 2020 the Chairman of the Board, Staffan Hanstorp, was contracted on a consulting basis for work with the Group's acquisition opportunities, financing matters, strategic partnerships and overarching strategic matters. Fees invoiced for the consulting services performed by Staffan Hanstorp amounted to a maximum of SEK 250 thousand per month (based on an invoiced amount including social security charges). No other fees were paid in 2020 for work in addition to board assignments or work on the Audit or Remuneration Committees. No agreements exist regarding pensions, severance pay or other benefits for board members.

**Subsidiary boards of directors**

No separate fee is generally paid to board members of the Group's subsidiaries, nor any pension benefits or other benefits.

**President of the Parent Company**

The President, Johan Andersson, is employed by the Parent Company. Under his employment contract, remuneration is paid in the form of base salary of SEK 240 thousand per month, variable remuneration, other benefits and occupational pension premiums. During the period April-August 2020, the fixed base salary was reduced by 10 per cent through a voluntary salary abstention. Variable remuneration pertains to the expensed bonus for 2020, which will be paid out in 2021. Variable remuneration is based mainly on consolidated operating profit after amortisation of intangible assets and earnings per share. The variable remuneration component is capped at 12 months' fixed salary on a yearly basis. Other benefits consist primarily of a car mileage allowance. Pension costs pertain to the cost that affects net profit for the year. Occupational pension premiums are paid in an amount corresponding to 30 per cent of fixed salary.

The President's employment contract has a mutual notice period of six months with a continued obligation to work. In the event the company serves notice, severance pay equivalent to six months' fixed salary is payable.

Remuneration of the President of the Parent Company is addressed and set by the Board's Remuneration Committee.

**Other senior executives**

The category "other senior executives" in the table above for 2020 includes Group Management, except for the President of the Parent Company, according to the description in the corporate governance report on pages 72–73. Remuneration of other senior executives consists of a base salary, variable remuneration, other benefits and occupational pension premiums. During the period April-August 2020, fixed based salaries were reduced by at least 10 per cent through voluntary salary abstentions. Variable remuneration for the 2020 financial year pertains to expensed bonuses, which will be paid out in 2021. For the division presidents, variable remuneration is largely based on operating profit for the year for the respective divisions before amortisation of intangible assets and capitalisation of work for own account. Variable remuneration is capped at an amount corresponding to nine months' fixed salary. The level of other benefits in the table above mainly pertains to company cars or a car mileage allowance. Pension costs pertain to the costs that affected net profit for the year. Occupational pension premiums are paid in an amount corresponding to a maximum of approximately 30 per cent of fixed salary.

The employment contracts have a mutual notice period of six to 12 months with a continued obligation to work.

Remuneration of other senior executives in the Group is addressed and set by the President of the Parent Company following consultation with the Board's Remuneration Committee.

## NOTE 6

## AUDITOR'S FEES

| | Group | | Parent Company | |
|---|---|---|---|---|
| *SEK thousands* | *2020* | *2019* | *2020* | *2019* |
| **Audit assignment** | | | | |
| PricewaterhouseCoopers | 2,834 | 2,804 | 819 | 675 |
| *of which, PricewaterhouseCoopers AB*[1] | 2,242 | 2,060 | | |
| Other auditors | 1,795 | 1,630 | – | – |
| **Auditing activities in addition to the audit assignment** | | | | |
| PricewaterhouseCoopers | 77 | 121 | – | 90 |
| *of which, PricewaterhouseCoopers AB*[1] | 77 | 121 | | |
| Other auditors | 24 | 0 | – | – |
| **Tax consulting** | | | | |
| PricewaterhouseCoopers | 768 | 301 | 78 | 297 |
| *of which, PricewaterhouseCoopers AB*[1] | 768 | 301 | | |
| Other auditors | 250 | 283 | – | – |
| **Other services** | | | | |
| PricewaterhouseCoopers | – | 43 | – | 43 |
| *of which, PricewaterhouseCoopers AB*[1] | – | 43 | | |
| Other auditors | 139 | 380 | – | – |
| **Total** | **5,887** | **5,562** | **897** | **1,105** |

*1) Disclosure is provided of how much of the Group's total fees paid to auditors pertain to the AGM-elected accounting firm in Sweden.*

Fees for the audit assignment include reviews of interim reports for both 2020 and 2019.

## NOTE 7
### EXCHANGE RATE DIFFERENCES

Consolidated operating profit includes exchange rate differences attributable to operating receivables and operating liabilities in a net amount of SEK –4 m (–4). Forward exchange contracts are used to a certain extent to secure amounts for future payment flows in foreign currencies. Any outstanding forward exchange contracts are measured at fair value. Forward exchange contracts pertain to hedges of a particular risk associated with a reported asset or liability or a highly probable forecast transaction (cash flow hedges). Hedge accounting according to IFRS 9 may be applied for certain forward exchange contracts. This means that unrealised changes in value is recognised in the consolidated statement of comprehensive income until the hedged item is to be recognised in the consolidated income statement, at which point the gain or loss for the corresponding forward exchange contract is recognised in the consolidated income statement. The purpose of hedge accounting is thus for the gain or loss for the hedged item and the corresponding forward exchange contract to be recognised through profit or loss during the same period. In cases where formal conditions for hedge accounting are not met, both realised and unrealised changes in value of forward exchange contracts are recognised in operating profit. No forward exchange contracts were outstanding as per 31/12/2020 or 31/12/2019.

Further information on the currency hedging policy is provided in Note 36, Financial risks and risk management.

## NOTE 8
### RESEARCH AND DEVELOPMENT

Research and development costs for the year amounted to SEK 30 m (26). Cost for investments in proprietary software and applications were capitalised in 2020 in the amount of SEK 80 m (57) (see Note 15). Amortisation in 2020 of capitalised amounts for proprietary software and applications for the year and previous years amounted to SEK 49 m (45).

## NOTE 9
### FINANCIAL INCOME

| | *Group* | |
|---|---|---|
| ***SEK m*** | ***2020*** | ***2019*** |
| Interest income | 1 | 2 |
| Share dividends | – | 1 |
| Exchange rate differences | 2 | 1 |
| Other financial income | 0 | 0 |
| **Total** | **3** | **4** |

| | *Parent Company* | |
|---|---|---|
| ***SEK m*** | ***2020*** | ***2019*** |
| **Result from participations in Group companies** | | |
| Share dividends | 31 | 250 |
| Group contributions received | 151 | 145 |
| Capital gains | – | 0 |
| Impairment losses | -125 | -52 |
| Reversals of previous impairment | 40 | – |
| **Total** | **97** | **343** |
| **Profit from other securities that are non-current assets** | | |
| Share dividends | – | 1 |
| **Total** | **0** | **1** |
| **Interest income and similar profit/loss items** | | |
| External interest income | 1 | 1 |
| Interest income from Group companies | 1 | 2 |
| Exchange rate differences | 3 | 0 |
| **Total** | **5** | **3** |

## NOTE 10
### FINANCIAL EXPENSES

| | *Group* | |
|---|---|---|
| ***SEK m*** | ***2020*** | ***2019*** |
| Interest expense | -16 | -17 |
| Exchange rate differences | -2 | -2 |
| Other financial expenses | -3 | -2 |
| **Total** | **-21** | **-21** |

| | *Parent Company* | |
|---|---|---|
| ***SEK m*** | ***2020*** | ***2019*** |
| **Interest expense and similar profit/loss items** | | |
| External interest expense | -12 | -13 |
| Interest expense to Group companies | 0 | -1 |
| Exchange rate differences | -2 | -7 |
| Other financial expenses | -3 | -3 |
| **Total** | **-17** | **-24** |

## NOTE 11

### TAX

| | Group | | Parent Company | |
|---|---|---|---|---|
| ***SEK m*** | ***2020*** | ***2019*** | ***2020*** | ***2019*** |
| Current tax on profit for the year | –49 | –55 | –16 | –14 |
| Adjustments pertaining to previous years | 2 | 2 | — | 0 |
| Deferred tax (see Note 12) | –1 | 7 | 0 | 0 |
| **Total** | **–48** | **–46** | **–16** | **–14** |

Tax attributable to the subcomponents of other comprehensive income for the Group in 2020 totalled SEK 0 thousand (310) and pertained solely to actuarial gains and losses on pension obligations.

The difference between tax calculated at the nominal Swedish tax rate on profit after tax and effective tax according to the income statement is as follows:

| | Group | | Parent Company | |
|---|---|---|---|---|
| ***SEK m*** | ***2020*** | ***2019*** | ***2020*** | ***2019*** |
| **Profit after financial items/profit before tax** | **211** | **175** | **19** | **263** |
| Tax calculated according to nominal Swedish tax rate of 21.4% (21.4%) | –45 | –37 | –4 | –56 |
| Non-deductible expenses | -3 | -8 | -27 | -12 |
| Dividends from Group companies | — | — | 6 | 54 |
| Other tax-exempt income | 2 | 1 | 9 | 0 |
| Utilisation of loss carryforwards and temporary differences for which no deferred tax assets were previously capitalised | 3 | 1 | — | — |
| Decrease in deferred tax assets for loss carryforwards and temporary differences | -6 | -2 | — | — |
| Increase in loss carryforwards and temporary differences for which no deferred tax assets were capitalised | -4 | 0 | — | — |
| Remeasurement of deferred tax assets and deferred tax liabilities due to changes in tax rates | 1 | 0 | — | — |
| Effect of foreign tax rates | 2 | -3 | — | — |
| Adjustments pertaining to previous years | 2 | 2 | — | — |
| **Tax according to income statement** | **–48** | **–46** | **–16** | **–14** |

Non-deductible expenses for the Group in 2019 include remeasurements of contingent consideration. The non-deductible expenses for the Parent Company for both 2020 and 2019 include impairment of the value of participations in Group companies, and the tax-exempt income in 2020 includes reversal of previous impairment of the value of participations in Group companies.

## NOTE 12

### DEFERRED TAX

Deferred tax assets and deferred tax liabilities pertain to temporary differences and tax loss carryforwards. Temporary differences exist for cases in which the carrying amount and tax values of the assets and liabilities are different. Deferred tax assets pertaining to tax loss carryforwards or other tax deductions are recognised only to the extent that it is likely that the deductions can be offset against surpluses in conjunction with future taxation.

Deferred tax assets and deferred tax liabilities pertain to temporary differences and tax loss carryforwards on the respective balance sheet dates as follows:

| | *Group* | | *Parent Company* | |
|---|---|---|---|---|
| ***SEK m*** | ***2020*** | ***2019*** | ***2020*** | ***2019*** |
| **Deferred tax assets** | | | | |
| Intangible non-current assets | 1 | 1 | — | — |
| Property, plant and equipment | 1 | 1 | — | — |
| Temporary differences in receivables and liabilities | 3 | 3 | 0 | 0 |
| Lease liabilities | 1 | 1 | — | — |
| Loss carryforwards | 12 | 6 | — | — |
| **Total deferred tax assets** | **18** | **12** | **0** | **0** |
| **Deferred tax liabilities** | | | | |
| Capitalised costs for development work | 6 | 6 | — | — |
| Customer agreements, software and similar rights | 53 | 46 | — | — |
| Untaxed reserves | 32 | 25 | — | — |
| **Total deferred tax liabilities** | **91** | **77** | **—** | **—** |
| **Deferred tax assets and deferred tax liabilities, net** | **-73** | **-65** | **0** | **0** |

The net amount of deferred tax assets and deferred tax liabilities changed during the year as follows:

| | *Group* | | *Parent Company* | |
|---|---|---|---|---|
| ***SEK m*** | ***2020*** | ***2019*** | ***2020*** | ***2019*** |
| Opening balance | -65 | -69 | 0 | 0 |
| Acquired Group companies | -7 | -3 | — | — |
| Recognised through profit or loss (see Note 11) | -1 | 7 | 0 | 0 |
| Recognised through other comprehensive income (see Note 11) | — | 0 | — | — |
| Translation difference | 0 | 0 | — | — |
| **Closing balance** | **-73** | **-65** | **0** | **0** |

The amounts reported on the balance sheet include the following:

| | *Group* | |
|---|---|---|
| ***SEK m*** | ***2020*** | ***2019*** |
| Deferred tax assets that can be utilised after 12 months at the earliest | 11 | 5 |
| Deferred tax liability that must be paid after 12 months at the earliest | -72 | -63 |

**Deferred tax assets not reported as assets**

The Group's total tax loss carryforwards amounted to approximately SEK 80 m on 31/12/2020. Deferred tax assets are reported in the amount of SEK 12 m on the consolidated balance sheet as the value of these loss carryforwards. The deferred tax assets attributable to loss carryforwards are recognised as assets to the extent it is likely that the loss carryforwards may be deducted against surpluses in future taxation. The Group's total tax loss carryforwards are partly attributable to foreign companies, where the opportunities for utilisation may be limited since the Group does not currently conduct any operations with taxable profit in the countries in which these loss carryforwards exist. Deferred tax assets that have not been recognised as assets amounted to approximately SEK 6 m (7) on 31/12/2020. There are no established maturity dates for the tax loss carryforwards that the Group had on 31/12/2020.

## NOTE 13

### EARNINGS PER SHARE

| | *Group* | |
|---|---|---|
| ***SEK m*** | ***2020*** | ***2019*** |
| **Earnings per share before and after dilution** | | |
| Reported profit attributable to owners of the Parent Company, SEK m | 163 | 129 |
| Profit for calculation of earnings per share, SEK m | 163 | 129 |
| Average number of shares outstanding before and after dilution | 33,427,256 | 33,427,256 |
| **Earnings per share before and after dilution, SEK** | **4.88** | **3.86** |

## NOTE 14

### PROPOSED DISTRIBUTION OF EARNINGS

Profit for the year of SEK 3 m and other unrestricted shareholders' equity, totalling SEK 788 m, together totalling SEK 791 m, are at the disposal of the Annual General Meeting. The Board of Directors proposes that these earnings be disposed of as follows:

| | |
|---|---|
| Dividend to the shareholders of SEK 2.50 per share | 84 |
| To be carried forward | 707 |
| **Total** | **791** |

In 2019 a dividend of SEK 2.50 per share was paid, for a total dividend of SEK 84 m. In 2020 no dividend was paid as a consequence of the uncertainty concerning the Covid-19 pandemic and in accordance with a resolution by the Annual General Meeting.

## NOTE 15

### INTANGIBLE NON-CURRENT ASSETS

| *SEK m* | *Goodwill* | *Customer agreements and similar rights* | *Acquired software* | *Costs for software development* | *Group* |
|---|---|---|---|---|---|
| **As per 1 January 2019** | | | | | |
| Cost | 1,525 | 287 | 191 | 263 | 2,266 |
| Accumulated amortisation and impairment losses | –30 | –168 | –106 | –159 | –463 |
| **Carrying amount** | **1,495** | **119** | **85** | **104** | **1,803** |
| **1 January–31 December 2019** | | | | | |
| Opening carrying amount | 1,495 | 119 | 85 | 104 | 1,803 |
| Additions from acquired companies | — | — | 12 | — | 12 |
| Acquisitions during the year[1] | 55 | 24 | 5 | 57 | 141 |
| Amortisation during the year | — | –36 | –28 | –45 | –109 |
| Translation difference | 38 | 6 | 2 | 1 | 47 |
| **Closing carrying amount** | **1,588** | **113** | **76** | **117** | **1,894** |
| **As per 31 December 2019** | | | | | |
| Cost | 1,618 | 317 | 210 | 321 | 2,466 |
| Accumulated amortisation and impairment losses | –30 | –204 | –134 | –204 | –572 |
| **Carrying amount** | **1,588** | **113** | **76** | **117** | **1,894** |
| **1 January–31 December 2020** | | | | | |
| Opening carrying amount | 1,588 | 113 | 76 | 117 | 1,894 |
| Additions from acquired companies | — | — | 0 | — | 0 |
| Acquisitions during the year[1)] | 247 | 81 | 59 | 80 | 467 |
| Amortisation during the year | — | –47 | –31 | –49 | –127 |
| Translation difference | –72 | –12 | –4 | –3 | –91 |
| **Closing carrying amount** | **1,763** | **135** | **100** | **145** | **2,143** |
| **As per 31 December 2020** | | | | | |
| Cost | 1,793 | 386 | 266 | 398 | 2,843 |
| Accumulated amortisation and impairment losses | –30 | –251 | –166 | –253 | –700 |
| **Carrying amount** | **1,763** | **135** | **100** | **145** | **2,143** |

*1) Through business development and acquisitions, the proportion of proprietary software and applications has increased in the IT solutions that the Group offers to customers. In 2020, costs for investments in proprietary software and applications that meet the criteria for capitalisation amounted to SEK 80 m (57).*

**Impairment testing of goodwill and other intangible assets with indefinite useful life**

Goodwill is distributed among the Group's cash-generating units identified by operating segments.
A summary of the distribution of goodwill at the operating segment level and country is provided in the following tables:

| *SEK m* | *Design Mgt* | *PLM* | *Process Mgt* | *Group* |
|---|---|---|---|---|
| **As per 31 December 2020** | | | | |
| Sweden | 146 | 95 | 575 | 816 |
| Norway | 164 | — | — | 164 |
| Finland | 21 | 26 | — | 47 |
| Denmark | 20 | — | — | 20 |
| Germany | — | 184 | — | 184 |
| UK | 314 | 177 | — | 491 |
| France | — | 19 | — | 19 |
| Netherlands | — | 17 | — | 17 |
| Serbia | — | — | 5 | 5 |
| **Total** | **665** | **518** | **580** | **1,763** |

| *SEK m* | *Design Mgt* | *PLM* | *Process Mgt* | *Group* |
|---|---|---|---|---|
| **As per 31 December 2019** | | | | |
| Sweden | 146 | 70 | 507 | 723 |
| Norway | 164 | — | — | 164 |
| Finland | 21 | 27 | — | 48 |
| Denmark | 21 | — | — | 21 |
| Germany | — | 191 | — | 191 |
| UK | 202 | 196 | — | 398 |
| France | — | 20 | — | 20 |
| Netherlands | — | 18 | — | 18 |
| Serbia | — | — | 5 | 5 |
| **Total** | **554** | **522** | **512** | **1,588** |

*Note 15, cont.*

Impairment testing of goodwill and other intangible assets with indefinite useful life is conducted yearly or more often if there is an indication of a decline in value.

The recoverable amount for a cash-generating unit is determined based on calculations of value in use. These calculations use pre-tax cash flow projections based on financial budgets and forecasts approved by company management. The cash flow forecasts are based on an assessment of the anticipated growth rate and development of the EBITA margin (operating margin before amortisation and impairment of intangible assets), starting from the budget for the next year, forecasts for the next three years, and management's long-term expectations on the operations for the coming five years. The calculated value in use is most sensitive to changes in the assumption about the growth rate, EBITA margin and discount rates. Applied assumptions are based on previous experience and the market trend. The cash flow forecasts for years two to four are based on an annual growth rate of 2 per cent (2) for all cash-generating units. Cash flows beyond the four-year period are extrapolated with the help of an estimated long-term growth rate of 2 per cent (2) for all cash-generating units. The growth rate does not exceed the long-term growth rate according to industrial reports for the markets in which each cash-generating unit operates. The discount rate used in calculating the recoverable amount is 9.7 per cent (9.7) before tax. The required rate of return has been established based on the Group's current capital structure and reflects the risks that apply for the various operating segments.

Based on the impairment testing carried out to date, there is no need to recognise impairment for goodwill or other intangible assets with indefinite useful life at 31/12/2020. A sensitivity analysis has been prepared separately for each cash-generating unit. An increase of the discount rate by 2 percentage points, a decrease in the operating margin before amortisation and impairment of intangible assets (the EBITA margin) by 2 percentage points, or a reduction in the assumed long-term growth rate by 2 percentage points would each not result in any need to recognise impairment for any of the cash-generating units as per 31/12/2020.

| | ***Parent Company*** | |
|---|---|---|
| ***SEK m*** | ***31/12/2020*** | ***31/12/2019*** |
| **Computer software** | | |
| Opening cost | 1 | 1 |
| **Closing accumulated cost** | **1** | **1** |
| Opening amortisation | –1 | 0 |
| Amortisation for the year | 0 | –1 |
| **Closing accumulated amortisation** | **–1** | **–1** |
| **Closing planned residual value** | **0** | **0** |

## NOTE 16

## PROPERTY, PLANT AND EQUIPMENT

| | ***Group*** | | ***Parent Company*** | |
|---|---|---|---|---|
| ***SEK m*** | ***31/12/2020*** | ***31/12/2019*** | ***31/12/2020*** | ***31/12/2019*** |
| **Equipment and installations** | | | | |
| Opening cost | 130 | 116 | 0 | 0 |
| Addition from acquired companies | 1 | 1 | — | — |
| Purchases during the year | 8 | 21 | — | — |
| Sales/disposals | –20 | -9 | — | — |
| Reclassification to right-of-use assets | — | -2 | — | — |
| Translation difference | 3 | 3 | — | — |
| **Closing accumulated cost** | **122** | **130** | **0** | **0** |
| Opening depreciation | –90 | –79 | 0 | 0 |
| Sales/disposals | 19 | 7 | — | — |
| Reclassification to right-of-use asset | — | 0 | — | — |
| Translation difference | –3 | –2 | — | — |
| Depreciation for the year | –17 | –16 | 0 | 0 |
| **Closing accumulated depreciation** | **–91** | **–90** | **0** | **0** |
| **Closing planned residual value** | **31** | **40** | **0** | **0** |

*Note 16, cont.*

| *SEK m* | *Group* *31/12/2020* | *31/12/2019* |
|---|---|---|
| **Right-of-use assets** | | |
| Opening cost | 192 | 0 |
| Transition to IFRS 16 | — | 139 |
| Addition from acquired companies | 5 | 2 |
| Addition of rights of use | 70 | 54 |
| Sales/disposals | -20 | -6 |
| Translation difference | -6 | 3 |
| **Closing accumulated cost** | **241** | **192** |
| | | |
| Opening depreciation | -63 | 0 |
| Sales/disposals | 20 | 6 |
| Translation difference | 3 | 0 |
| Depreciation for the year | -72 | -69 |
| **Closing accumulated depreciation** | **-112** | **-63** |
| **Closing planned residual value** | **129** | **129** |

See Note 17 for information on leases where the Group is lessee.

| *SEK m* | *Group* *31/12/2020* | *31/12/2019* |
|---|---|---|
| **Land and buildings** | | |
| Opening cost | 1 | 1 |
| Addition from acquired companies | 32 | — |
| Translation difference | -6 | — |
| **Closing accumulated cost** | **27** | **1** |
| | | |
| Opening depreciation | -1 | -1 |
| Depreciation for the year | 0 | — |
| Translation difference | 1 | — |
| **Closing accumulated depreciation** | **0** | **-1** |
| **Closing planned residual value** | **27** | **0** |

Land and buildings pertain mainly to an office building in the UK that was included in the acquisition of Excitech Ltd in 2020. The intention is that it will be sold through a sale/leaseback transaction. In connection with the year-end book-closing, an appraisal of the building was conducted by an external party and did not indicate any need to recognise impairment.

## NOTE 17

## LEASES

This note provides information about leases where the Group is lessee.

**Amounts reported on the balance sheet**

The following amounts related to leases are reported on the balance sheet:

| *SEK M* | *Group* *31/12/2020* | *31/12/2019* |
|---|---|---|
| **Right-of-use assets** | | |
| Office premises | 119 | 118 |
| Company cars | 10 | 11 |
| **Total** | **129** | **129** |
| **Lease liabilities** | | |
| Short-term lease liabilities | 60 | 59 |
| Long-term lease liabilities | 66 | 64 |
| **Total** | **126** | **123** |

Additional rights of use in 2020 amounted to SEK 75 m (56).

**Amounts reported in the income statement**

The following amounts related to leases were reported in the income statement:

| *SEK m* | *Group* *2020* | *2019* |
|---|---|---|
| **Depreciation of rights of use:** | | |
| Office premises | –64 | –60 |
| Company cars | –8 | –9 |
| **Total depreciation (included in depreciation of property, plant and equipment)** | **–72** | **–69** |
| Interest expenses (included in financial expenses) | –3 | –3 |
| Costs attributable to short-term leases (included in other external costs) | –1 | –2 |
| Costs attributable to leases where the underlying asset is of low value and that are not short-term leases (included in other external costs) | –6 | –4 |
| Costs attributable to variable lease payments that are not included in lease liabilities (included in other external costs) | –13 | –8 |

The total cash flow related to leases in 2020 was SEK –83 m (-85).

*Note 17, cont.*

**The Group's leasing activities and reporting of these**

The Group's leases pertain mainly to rental contracts for office premises and leases of company cars. The leases are normally signed for fixed periods of between six months and five years, but in individual cases may be up to ten years. Opportunities to extend the term of the lease may exist, which are described below.

Starting on 1 January 2019, leases are reported as right-of-use assets along with a corresponding liability as per the day on which the leased asset was available for use by the Group.

A lease may include both lease and non-lease components. The Group allocates the payments in accordance with the leasing agreement, where possible, to lease and non-lease components based on their relative, independent prices.

The terms are negotiated separately for each lease and include a large number of different contractual terms. Leases do not contain any special restrictions other than that the lessor retains the rights to pledge leased assets. The leased assets may not be used as collateral for loans.

Assets and liabilities that arise from leases are initially recognised at present value. The lease liabilities include the present value of the following lease payments:

- Fixed fees (including fixed fees in substance) after deducting any benefits in connection with the signing of the lease.
- Variable lease payments that are dependent on an index or a price that is initially set with the help of an index or the price at the inception date of the lease.
- Amounts that are expected to be paid out by the lessee in accordance with residual value guarantees.
- The exercise price for a call option if the Group is reasonably certain it will exercise such an opportunity.
- Penalty fees payable upon termination of the lease if the lease term reflects that the Group will exercise an opportunity to terminate the lease.

Lease payments that are made to reasonably ensure extension options are also included in the valuation of the lease liability.

The lease payments are discounted using the implicit rate of the lease. If this interest rate cannot be determined, the lessee's incremental borrowing rate is used, which is the interest rate that the individual lessee would have to pay to borrow the necessary funds to purchase an asset of similar value as the right of use in a similar economic environment with similar terms and collateral. The Group determines the incremental borrowing rate as the risk-free rate adjusted for credit risk and the specific terms of the lease, such as the lease term, country and currency.

The Group is exposed to possible future increases in variable lease payments based on an index or interest rate, which are not included in the lease liability until they take effect. When adjustments of lease payments based on an index or interest rate take effect, the lease liability is remeasured and adjusted to the right of use.

Lease payments are divided into amortisation of principal and payment of interest. The interest is reported in the income statement over the lease term in a way that conveys a fixed interest rate for the reported lease liability during the respective periods.

Right-of-use assets are measured at cost, which includes the following:

- The amount at which the lease liability was originally measured.
- Lease fees paid on or before the inception date after deducting any benefits received in connection with the signing of the lease.
- Initial direct fees.
- Fees for restoring the asset to the condition prescribed in the terms of the lease.

Rights of use are normally depreciated on a straight-line basis over the shorter of the asset's useful life and the lease term.

Payments for short-term leases and all leases with a low value are expensed on a linear basis in the income statement. Short-term leases are leases with a term of 12 months or less. Leases with a low value include parking spots, and IT and office equipment.

**Variable lease payments**

The Group has no sales-based rents in current leases.

**Options to extend and terminate leases**

Options to extend and terminate leases are included in a number of the Group's leases. The majority of the options that provide the opportunity to extend and cancel a lease may be used by the Group and the lessors.

## NOTE 18

## PARTICIPATIONS IN GROUP COMPANIES

| | *Parent Company* | |
|---|---|---|
| ***SEK m*** | ***31/12/2020*** | ***31/12/2019*** |
| Opening cost | 2,291 | 2,167 |
| Investments in subsidiaries during the year[1] | 450 | 79 |
| Capital contributions to subsidiaries | 9 | 6 |
| Sales of subsidiaries[2] | –4 | 0 |
| Remeasurement of contingent consideration | 0 | 39 |
| **Closing accumulated cost** | **2,746** | **2,291** |
| Opening impairment | –227 | –175 |
| Impairment losses recognised during the year | –125 | –52 |
| Reversals of impairment losses recognised in previous years | 40 | — |
| **Closing accumulated impairment losses** | **–312** | **–227** |
| **Closing carrying amount** | **2,434** | **2,064** |

*1) The year's investments in subsidiaries include estimated contingent consideration totalling SEK 116 m. The outcome is dependent on the financial performance of the acquired companies.*

*2) For 2020, pertained to sales to other Group companies. The amount in 2019 pertained to the liquidation of dormant subsidiaries.*

*Note 18, cont.*

| Company | Corporate identity number | Registered office | No. shares | Share of capital/ votes, % | Carrying amount 31/12/2020 | Carrying amount 31/12/2019 |
|---|---|---|---|---|---|---|
| Mogul Holding AB | 556300-0073 | Stockholm | 10,275,103 | 100 | 156 | 52 |
| Evitbe AB | 556557-7599 | Stockholm | 20,000 | 100 | — | — |
| Symetri Ltd | 3239798 | Newcastle, UK | 500,000 | 100 | — | — |
| Addnode Balkan d.o.o | 17598732 | Belgrade, Serbia | 1 | 100 | — | — |
| Optosof GmbH | HRB 731607 | Karlsruhe, Germany | 3 | 100 | — | — |
| Kartena AB | 556751-4749 | Stockholm | 1,320 | 100 | — | — |
| Technia Holding AB | 556516-7367 | Stockholm | 4,533,500 | 100 | 137 | 137 |
| TECHNIA AB | 556481-3193 | Stockholm | 5,000 | 100 | — | — |
| Addnode India Private Limited [3] | U72200MH2012FTC229607 | Thane, India | 100 | 100 | — | — |
| TECHNIA AS | 880 823 582 | Oslo, Norway | 250 | 100 | — | — |
| TECHNIA Oy | 0755401-4 | Espoo, Finland | 77 | 100 | — | — |
| Symetri Europe AB | 556524-6989 | Borlänge | 1,000 | 100 | — | — |
| Mogul Sweden AB | 556511-2975 | Stockholm | 1,000 | 100 | — | — |
| Addnode Inc | 75-3269017 | Naperville, IL, USA | 100 | 100 | — | — |
| Addnode Germany GmbH | HRB 732456 | Karlsruhe, Germany | 1 | 100 | 156 | 156 |
| Transcat GmbH | HRB 110416 | Karlsruhe, Germany | 25,000 | 100 | — | — |
| TECHNIA GmbH | HRB 109117 | Karlsruhe, Germany | 1 | 100 | — | — |
| TECHNIA Slovakia s.r.o. | 34196/B | Bratislava, Slovakia | 1 | 100 | — | — |
| TECHNIA GmbH | FN 399981 h | Linz, Austria | 1 | 100 | — | — |
| Technia B.V. | 08095732 | Loenen, Apeldoorn, Netherlands | 10,136 | 100 | 17 | 17 |
| TECHNIA Ltd | 04286171 | Milton Keynes, UK | 101 | 100 | 204 | 289 |
| Strategic Simulation and Analysis Ltd | 06433279 | Charlbury, UK | 1,000 | 100 | 0 | 0 |
| Simuleon B.V. | 55204982 | Bruchem, Netherlands | 18,000 | 100 | 10 | 10 |
| TECHNIA SAS | 488 343 401 | Paris, France | 1,000 | 100 | 34 | 34 |
| TECHNIA K.K. | 0100-1-198112 | Tokyo, Japan | 1,000 | 100 | — | — |
| Scanscot Technology AB | 556435-1038 | Lund | 1,400 | 100 | 45 | — |
| Symetri AB | 556359-5429 | Borlänge | 10,000 | 100 | 157 | 157 |
| Symetri AS | 957 168 868 | Oslo, Norway | 200 | 100 | 71 | 71 |
| Symetri Oy | 1058681-8 | Helsinki, Finland | 3,000 | 100 | 37 | 37 |
| Symetri A/S | 13 737 436 | Copenhagen, Denmark | 60 | 100 | 1 | 1 |
| Excitech Ltd | 01894184 | Middlesex, UK | 286,540 | 100 | 272 | — |
| Micro Concepts Ltd | 03008091 | Middlesex, UK | 100 | 100 | — | — |
| Computer Aided Business Systems Ltd | 03523862 | Middlesex, UK | 30,040 | 100 | — | — |
| Tribia AS | 983 443 117 | Oslo, Norway | 3,644 | 100 | 155 | 155 |
| Tribia AB | 556657-7176 | Stockholm | 1,001 | 100 | 20 | 16 |
| UniZite AS | 999 574 327 | Lysaker, Norway | 1,166 | 100 | 33 | — |
| UniZite AB | 559148-2004 | Karlstad | 500 | 100 | — | — |
| Cadassist Ltd | 01994562 | Bramhall, Stockport, UK | 12,105 | 100 | 31 | 95 |
| d2m3 Ltd | 04309261 | Bramhall, Stockport, UK | 105 | 100 | 21 | 21 |
| Service Works Global Ltd | 04915250 | London, UK | 33,094,051 | 100 | 157 | 197 |
| Service Works International Ltd | 04915227 | London, UK | 1 | 100 | — | — |
| Service Works Global Pty. Ltd | 11 108 665 818 | Melbourne, VIC, Australia | 200,001 | 100 | — | — |
| Service Works Global (Asia Pacific) Pty. Ltd | 49 144 482 995 | Melbourne, VIC, Australia | 10 | 100 | — | — |
| Service Works Global Ltd | 3222235 | Halifax, Canada | 30,000 | 100 | — | — |
| Service Works Global (North America) Inc. | 3268696 | Halifax, Canada | 100 | 100 | — | — |
| Service Works Global Inc. | 35-2653333 | Camden, DE, USA | 1,000 | 100 | — | — |
| Service Works Group Ltd | 06975966 | London, UK | 100 | 100 | — | — |
| Service Works Global Nordic AB | 556535-3918 | Eskilstuna | 4,586,000 | 100 | 11 | 9 |
| Ida Infront AB | 556316-2469 | Linköping | 5,894,650 | 100 | 119 | 119 |
| Ida Infront AS | 988 393 568 | Oslo, Norway | 100 | 100 | 1 | 1 |
| Stamford AB | 556413-4939 | Karlstad | 1,000,000 | 100 | 25 | 25 |
| Stamford Stockholm AB | 556325-7913 | Stockholm | 1,000 | 100 | 20 | 20 |
| InPort Intelligent PORT Systems AB | 556270-4451 | Karlstad | 5,000 | 100 | 32 | 31 |
| Decerno AB | 556498-5025 | Stockholm | 10,000 | 100 | 43 | 43 |
| Decerno Väst AB | 556564-9885 | Gothenburg | 28,000,000 | 100 | 16 | 16 |

*Note 18, cont.*

| *Company* | *Corporate identity number* | *Registered office* | *No. shares* | *Share of capital/ votes, %* | *Carrying amount 31/12/2020* | *Carrying amount 31/12/2019* |
|---|---|---|---|---|---|---|
| Sokigo AB | 556550-6309 | Köping | 5,000 | 100 | 167 | 125 |
| Arkiva AB | 556313-5952 | Västerås | 1,000 | 100 | 7 | 7 |
| Adtollo AB | 556476-6813 | Stockholm | 2,400 | 100 | 35 | 33 |
| Forsler & Stjerna Konsult AB | 556412-4849 | Lund | 1,000 | 100 | 28 | 28 |
| Svenska ITKompanion AB | 556710-4244 | Gothenburg | 185,795 | 100 | 10 | 10 |
| IntraPhone Solutions AB | 559186-3674 | Malmö | 500 | 100 | 45 | 45 |
| Netpublicator Apps AB | 556861-8127 | Jönköping | 501 | 50.1 | 100 | — |
| Canella IT Products AB | 556818-6927 | Stockholm | 500 | 100 | 38 | 38 |
| Voice Provider Sweden AB | 556598-3276 | Stockholm | 215,960 | 100 | 19 | 19 |
| Mittbygge AB | 556586-1555 | Varberg | 1,000 | 100 | 4 | 4 |
| **Merged direct holdings in 2020:** | | | | | | |
| EssVision AB[4] | 556373-9225 | Stockholm | 1,000 | 100 | — | 26 |
| Landborgen AlkT AB[4] | 559164-5477 | Helsingborg | 500 | 100 | — | 20 |
| **Total carrying amount, SEK m** | | | | | **2,434** | **2,064** |

*3) The company is 99 per cent-owned by TECHNIA AB and 1 per cent-owned by TECHNIA Oy. 4) During 2020 EssVision AB and Landborgen AlkT AB were merged with Sokigo AB.*

Subsidiaries acquired during the year are described in Note 33 Acquisitions of subsidiaries and businesses.

All Group companies are consolidated in the consolidated financial statements. The operations of Group companies are conducted primarily in the countries in which they are domiciled. There are no significant restrictions to gaining access to the assets of the Group companies and settling the Group's liabilities.

## NOTE 19

## DISCLOSURES OF FINANCIAL INSTRUMENTS

The carrying amount of the Group's financial instruments, distributed among measurement categories according to IFRS 9, is summarised in the table below. No financial assets or liabilities are recognised at a value that considerably deviates from the fair value.

A more detailed description of certain items is provided in separate notes according to the references below. Financial risks and risk management are described in Note 36.

| | | *Group* | |
|---|---|---|---|
| *SEK m* | *Note* | *31/12/2020* | *31/12/2019* |
| **ASSETS** | | | |
| **Financial assets measured at amortised cost** | | | |
| Non-current receivables | 21 | 13 | 9 |
| Trade receivables | | 543 | 559 |
| Other receivables | | 11 | 11 |
| **Financial assets measured at fair value through other comprehensive income** | | | |
| Long-term securities holdings[1] | 20 | 9 | 9 |
| **Cash and cash equivalents** | 34 | 644 | 294 |
| **LIABILITIES** | | | |
| **Financial assets at fair value through profit or loss** | | | |
| Provisions for estimated contingent consideration[2] | 27 | 111 | 8 |
| **Other financial liabilities** | | | |
| Non-current and current interest-bearing liabilities | 26 | 827 | 615 |
| Trade payables | | 199 | 167 |

*1) Long-term securities holdings pertain to unlisted shares and participations and are attributable to Level 3 in the fair value hierarchy according to IFRS 13. Level 3 entails that the fair value measurement is not based on observable market data. The opening carrying amount for the year of unlisted shares and participations was SEK 9 m (11), the year's investments amounted to SEK 0 m (0), the year's sales amounted to SEK 0 m (-2), the year's translation difference amounted to SEK 0 m (0), and the year's closing carrying amount amounted to SEK 9 m (9) (see Note 21). Dividends received from unlisted shares and participations, totalling SEK – m (1), have been reported as financial income in the income statement. Capital gains on sales of long-term securities are recognised in other comprehensive income in the amount of SEK – m (4). Other than that, no result has been recognised in the income statements for 2020 or 2019 from unlisted shares and participations. For shareholdings and participations remaining at 31/12/2020, apart from dividends and the above-mentioned capital gain, no gains or losses have been recognised through profit or loss or through other comprehensive income for 2020 or prior years. The carrying amounts of the unlisted shareholdings and participations as per 31/12/2020 correspond to the cost for the respective holdings. Reasonable possible alternative assumptions in the measurement of the fair value would not result in any significant impact on the Group's accounting.*

*2) Provisions for estimated contingent consideration for acquisitions are attributable to Level 3 in the fair value hierarchy according to IFRS 13. The provisions have been measured at fair value based on an assessment of the future financial performance of the acquired companies. The opening carrying amount of provisions for contingent consideration for the year was SEK 8 m (108), additional provisions during the year for acquisitions amounted to SEK 116 m (6), contingent consideration paid during the year amounted to SEK -7 m (-134), revaluations during the year amounted to SEK 0 (26), the year's reclassifications to current liabilities amounted to SEK – m (–5), exchange rate differences for the year amounted to SEK -6 (7), and the closing carrying amount for the year was SEK 111 m (8). The result of remeasurement of contingent consideration in 2020, totalling SEK 0 m (-26), is recognised through profit or loss. Further information about contingent consideration and its measurement is provided in Notes 27 and 33.*

*Note 19, cont.*

During 2020 and 2019 no transfers were made between the levels in the fair value hierarchy according to IFRS 13. The tables below show revenue, expenses, gains and losses attributable to financial instruments, broken down by measurement categories according to IFRS 9.

| | Group 2020 | | | Group 2019 | | |
|---|---|---|---|---|---|---|
| ***SEK m*** | ***Gain/loss*** | ***Interest income*** | ***Interest expense*** | ***Gain/loss*** | ***Interest income*** | ***Interest expense*** |
| **Financial assets measured at amortised cost** | | | | | | |
| Non-current receivables and other current receivables | — | 0 | — | — | 0 | — |
| **Financial assets measured at fair value through other comprehensive income** | | | | | | |
| Long-term securities holdings[3] | — | — | — | 5 | — | — |
| **Cash and cash equivalents** | — | **1** | — | — | **2** | — |
| **Other financial liabilities** | | | | | | |
| Interest expense on liabilities to credit institutions | — | — | -13 | — | — | -13 |
| Interest expense on leases | — | — | -3 | — | — | -3 |
| Other interest expenses | — | — | 0 | — | — | -1 |
| **Earnings effect** | **0** | **1** | **-16** | **5** | **2** | **-17** |

*3) The gain/loss for 2019 pertains to a dividend of SEK 1 m, which is reported as financial income in the income statement, and a capital gain of SEK 4 m, which is reported in other comprehensive income. Long-term securities holdings in 2020 were unchanged.*

## NOTE 20

## LONG-TERM SECURITIES HOLDINGS

| | Group | | Parent Company | |
|---|---|---|---|---|
| ***SEK m*** | ***31/12/2020*** | ***31/12/2019*** | ***31/12/2020*** | ***31/12/2019*** |
| Opening cost | 9 | 11 | 2 | 2 |
| Investments during the year | 0 | 0 | — | — |
| Sales during the year | — | -2 | — | — |
| Translation difference | 0 | 0 | — | — |
| **Closing accumulated cost** | **9** | **9** | **2** | **2** |
| **Closing carrying amount** | **9** | **9** | **2** | **2** |

| ***Company*** | ***Corporate identity number*** | ***Registered office*** | ***No. shares*** | ***Share of capital/ votes, %*** | ***Carrying amount 31/12/2020*** | ***Carrying amount 31/12/2019*** |
|---|---|---|---|---|---|---|
| Walter Sar AB | 559208-9618 | Stockholm | 15,000 | 30.00 | 2 | 2 |
| **Total holding in Parent Company** | | | | | **2** | **2** |
| **Additions in the Group:** | | | | | | |
| Optimdata SAS | 809,999,188 | Levallois-Perret, France | 350,000 | 22.57 | 4 | 4 |
| Upwave Technologies AS | 918,835,881 | Oslo, Norway | 56,306 | 9.10 | 3 | 3 |
| Other | | | | | 0 | 0 |
| **Closing carrying amount** | | | | | **9** | **9** |

The Group's securities holdings are stated at the cost of the respective holdings. The equity method is not applied for the holdings, since the effects on the Group's accounting would be insignificant. Information about the companies' earnings and shareholders' equity is of minor significance taking into account the requirement for a true and fair view.

## NOTE 21

### OTHER NON-CURRENT RECEIVABLES

| | Group | | Parent Company | |
|---|---|---|---|---|
| *SEK m* | *31/12/2020* | *31/12/2019* | *31/12/2020* | *31/12/2019* |
| Opening cost | 9 | 7 | – | – |
| Additions from acquired companies | 5 | 0 | – | – |
| Loans provided | 1 | 3 | – | – |
| Amortisation and repayments | –1 | –1 | – | – |
| Exchange rate difference | –1 | 0 | – | – |
| **Closing accumulated cost** | **13** | **9** | **–** | **–** |
| **Closing carrying amount** | **13** | **9** | **–** | **–** |

The non-current receivables fall due for payment within five years from the respective balance sheet dates. Interest-bearing receivables amounted to SEK 0 m (0) as per 31/12/2020.

## NOTE 22

### PREPAID EXPENSES AND ACCRUED INCOME

| | Group | | Parent Company | |
|---|---|---|---|---|
| *SEK m* | *31/12/2020* | *31/12/2019* | *31/12/2020* | *31/12/2019* |
| Prepaid rents and lease payments | 3 | 2 | 2 | 2 |
| Prepaid licences and service agreements | 112 | 93 | 5 | – |
| Other prepaid expenses | 57 | 49 | 1 | 1 |
| Accrued income | 56 | 40 | – | – |
| **Closing balance** | **228** | **184** | **8** | **3** |

## NOT 23

### CASH AND CASH EQUIVALENTS IN GROUP ACCOUNT

| | Parent Company | |
|---|---|---|
| | *31/12/2020* | *31/12/2019* |
| Cash and cash equivalents in Group account | 518 | 235 |

Cash and cash equivalents in the Group account consist of cash and cash equivalents invested through the Parent Company in a bank account for a joint-Group central account system. The funds are available on demand. As per 31/12/2020, utilised credit in the Group account system amounted to SEK 0 m (0) (see also Note 28).

Current receivables in Group companies include SEK 34 m (57) attributable to the Group account, of which SEK 0 m (0) has been offset against the Parent Company's liabilities to the same Group companies. Current liabilities to Group companies include SEK 927 m (704) attributable to the Group account, of which SEK 145 m (133) has been offset against the Parent Company's receivables from the same Group companies.

## NOTE 24

### SHAREHOLDERS' EQUITY

A specification of changes in shareholders' equity is provided in the consolidated and Parent Company statements of changes in shareholders' equity (see pages 77 and 82). Changes in the number of registered shares are shown in the following table:

| | *A-shares* | *B-shares* | *C-shares* | *Total no. of registered shares* |
|---|---|---|---|---|
| Number on 31/12/2018 | 987,174 | 32,440,082 | – | 33,427,256 |
| Number on 31/12/2019 | 987,174 | 32,440,082 | – | 33,427,256 |
| Number on 31/12/2020 | 987,174 | 32,440,082 | – | 33,427,256 |

The share quota value is SEK 12. Class A shares carry ten votes each, and Class B and C shares carry one vote each. Class C shares do not carry entitlement to dividends. All shares have been fully paid for.

| | Group | |
|---|---|---|
| *SEK m* | *31/12/2020* | *31/12/2019* |
| **Exchange rate differences in shareholders' equity** | | |
| Opening balance | 96 | 29 |
| Change in the year's translation of foreign subsidiaries | –124 | 67 |
| **Closing balance** | **–28** | **96** |
| **Hedge of net investments in foreign operations recognised in shareholders' equity** | | |
| Opening balance | -67 | -23 |
| Remeasurement at fair value | 63 | -44 |
| **Closing balance** | **-4** | **-67** |

**Disclosures about equity**

Total equity is calculated as shareholders' equity on the consolidated balance sheet. The Group's equity/assets ratio, defined as total shareholders' equity in relation to the balance sheet total, was 40 per cent (44) on 31/12/2020. The Group's dividend policy is described on page 48.

**Acquisitions, transfers and holdings of treasury shares**

Addnode Group had no holdings of treasury shares on 31/12/2020 or 31/12/2019. No own shares were acquired or transferred in 2020 or 2019. The number of shares outstanding was 33,427,256 on both 31/12/2020 and 31/12/2019.

## NOTE 25

## UNTAXED RESERVES

| | Parent Company | |
|---|---|---|
| *SEK m* | *31/12/2020* | *31/12/2019* |
| Tax allocation reserve, 2017 tax year | 10 | 10 |
| Tax allocation reserve, 2018 tax year | 21 | 21 |
| Tax allocation reserve, 2019 tax year | 19 | 19 |
| Tax allocation reserve, 2020 tax year | 22 | 22 |
| Tax allocation reserve, 2021 tax year | 24 | |
| **Total** | **96** | **72** |

## NOTE 26

## INTEREST-BEARING LIABILITIES

| | Group | | Parent Company | |
|---|---|---|---|---|
| *SEK m* | *31/12/2020* | *31/12/2019* | *31/12/2020* | *31/12/2019* |
| **Non-current interest-bearing liabilities** | | | | |
| Liabilities pertaining to leases, IFRS 16 | 66 | 64 | – | – |
| Other non-current interest-bearing liabilities | – | 0 | – | – |
| **Total non-current interest-bearing liabilities** | **66** | **64** | **0** | **0** |
| **Current interest-bearing liabilities** | | | | |
| Due to credit institutions | 699 | 492 | 707 | 443 |
| Liabilities pertaining to leases, IFRS 16 | 60 | 59 | – | – |
| Other current interest-bearing liabilities | 3 | – | 3 | – |
| **Total current interest-bearing liabilities** | **761** | **551** | **710** | **443** |
| **Total interest-bearing liabilities** | **827** | **615** | **710** | **443** |

**Other interest-bearing liabilities**

Other interest-bearing liabilities pertain to promissory notes for purchases of companies.

The non-current liabilities fall due for payment as follows:

| | Group | | Parent Company | |
|---|---|---|---|---|
| *SEK m* | *31/12/2020* | *31/12/2019* | *31/12/2020* | *31/12/2019* |
| Between 1 and 2 years after the balance sheet date | 48 | 38 | – | – |
| Between 2 and 5 years after the balance sheet date | 18 | 26 | – | – |
| **Total** | **66** | **64** | **0** | **0** |

**Fair value**

The carrying amount of interest-bearing liabilities represents a good approximation of the fair value of the liabilities.

## NOTE 27

## PROVISIONS

| | Group | | Parent Company | |
|---|---|---|---|---|
| *SEK m* | *31/12/2020* | *31/12/2019* | *31/12/2020* | *31/12/2019* |
| Estimated contingent consideration for acquisitions | 111 | 8 | 117 | 8 |
| Decided restructuring measures | 20 | 0 | – | – |
| Guarantee provisions | 2 | 2 | – | – |
| Pension obligations (see below) | 9 | 9 | – | – |
| **Total** | **142** | **19** | **117** | **8** |
| **Of which, to be settled within 12 months** | **64** | **5** | **47** | **5** |
| **Of which, expected to be settled after more than 12 months** | **78** | **14** | **70** | **3** |

| | Group | | Parent Company | |
|---|---|---|---|---|
| *SEK m* | *31/12/2020* | *31/12/2019* | *31/12/2020* | *31/12/2019* |
| Opening provisions | 19 | 122 | 8 | 102 |
| Provisions during the period for restructuring measures | 28 | – | – | – |
| Utilised during the period | -9 | -6 | – | – |
| Estimated contingent consideration for acquisitions | 116 | 6 | 116 | 6 |
| Remeasurement of contingent consideration | 0 | 26 | 0 | 26 |
| Contingent consideration paid | -7 | -134 | -7 | -134 |
| Change in provisions for pension obligations | 1 | 1 | – | – |
| Change in guarantee provisions | – | 2 | – | – |
| Reclassification to other current liabilities | – | -5 | – | -5 |
| Exchange rate differences | -6 | 7 | 0 | 13 |
| **Total** | **142** | **19** | **117** | **8** |

**Estimated contingent consideration for acquisitions**

Provisions for estimated contingent consideration as per 31/12/2020 pertain mainly to the acquisitions of Excitech Ltd and Netpublicator Apps AB. Payments corresponding to the provisions as per 31/12/2020 are expected to be made during the period 2021-2023.

*Note 27, cont.*

**Provisions for restructuring measures during the period and amount utilised during the period**

The amount of provisions during the period and the amount utilised during the period pertains to costs for personnel.

**Pension obligations**

The German subsidiary TECHNIA GmbH has pension obligations under defined benefit pension plans for five employees. The provision for these pension obligations amounted to SEK 9 m (9) as per 31/12/2020 and was calculated in accordance with IAS 19 by an independent actuary through application of the Projected Unit Credit Method and using a discount rate of 0.70 per cent (1.00).

## NOTE 28

## BANK OVERDRAFT FACILITIES

At 31/12/2020 the Group's companies had committed overdraft facilities worth a total of SEK 100 m (100), which pertain entirely to the Parent Company's contracted overdraft facility with Nordea. The overdraft facility was unutilised as per 31/12/2020 and 31/12/2019.

## NOTE 29

## ACCRUED EXPENSES AND DEFERRED INCOME

| | Group | | Parent Company | |
|---|---|---|---|---|
| *SEK m* | *31/12/2020* | *31/12/2019* | *31/12/2020* | *31/12/2019* |
| Personnel-related costs | 206 | 178 | 7 | 6 |
| Other accrued expenses | 76 | 73 | 6 | 7 |
| Deferred income | 509 | 435 | – | – |
| **Closing balance** | **791** | **686** | **13** | **13** |

## NOTE 30

## PLEDGED ASSETS

| | Group | | Parent Company | |
|---|---|---|---|---|
| *SEK m* | *31/12/2020* | *31/12/2019* | *31/12/2020* | *31/12/2019* |
| **For rental contracts** | | | | |
| Non-current receivables | 8 | 9 | – | – |
| Current receivables | 0 | 0 | – | – |
| **Total** | **8** | **9** | **–** | **–** |

**Financial obligations**

According to the credit facility covenants with Nordea, the Parent Company has undertaken to ensure that certain financial key ratios are maintained for the Group. These obligations entail essentially that the following conditions shall be met at the end of each calendar quarter:

- Senior net debt (interest-bearing liabilities plus provisions for contingent consideration, less cash and cash equivalents) in relation to EBITDA excluding capitalised work for own account shall not exceed a multiple of 2.75. At 31/12/2020 this key ratio was 0.56 (0.74).
- Interest-coverage ratio (EBITDA plus financial income in relation to financial expenses) shall not fall below a multiple of 5. At 31/12/2020 this key ratio was 17.1 (16.4).

The earnings measures shall pertain to the last rolling 12-month period and be calculated on a pro forma basis as if the acquisitions and divestments in question had taken place on the first day of the current 12-month period.

## NOTE 31

## CONTINGENT LIABILITIES

| | Group | | Parent Company | |
|---|---|---|---|---|
| *SEK m* | *31/12/2020* | *31/12/2019* | *31/12/2020* | *31/12/2019* |
| Payment guarantees for leases | – | 0 | – | 0 |
| Payment guarantees for trade payables | 0 | 0 | 15 | 0 |
| Sureties for bank guarantees | 2 | 0 | 3 | 0 |
| Conditional government assistance | 14 | – | – | – |
| Capital coverage guarantees for subsidiaries | – | – | 8 | – |
| Sureties for Group companies | 2 | 2 | 2 | 2 |
| **Total** | **18** | **2** | **28** | **2** |

## NOTE 32

## ADJUSTMENTS FOR OTHER NON-CASH ITEMS

| | Group | | Parent Company | |
|---|---|---|---|---|
| *SEK m* | *2020* | *2019* | *2020* | *2019* |
| Capital gains/losses | 0 | 0 | – | – |
| Unrealised exchange rate differences | 4 | 3 | – | – |
| Changes in provisions | 21 | -3 | – | – |
| Provision for bad debts | 1 | 1 | – | – |
| **Total** | **26** | **1** | **–** | **–** |

## NOTE 33

## ACQUISITIONS OF SUBSIDIARIES AND BUSINESSES

### *ACQUISITIONS IN 2020*

| *Company/operation* | *Business* | *Acquisition date* | *Share of capital/ votes, %* |
|---|---|---|---|
| Unizite AS | IT solutions for mobile collaboration in the construction and civil engineering industries | 9/1/2020 | 100 |
| Excitech Ltd | IT solutions for design and construction | 16/1/2020 | 100 |
| Netpublicator Apps AB | IT solutions for digital document and meeting management | 1/7/2020 | 50.1 |
| Scanscot Technology AB | IT solutions for product information and simulation | 2/11/2020 | 100 |

The following tables provide information on purchase prices, identifiable net assets and goodwill.

| *SEK m* | *Excitech Ltd* | *Other acquisitions* | *Total acquisitions in 2020* |
|---|---|---|---|
| **Purchase price** | | | |
| Cash paid in 2020 | 225 | 107 | 332 |
| Non-current and current liabilities to sellers | | 3 | 3 |
| Estimated contingent consideration [1] | 44 | 67 | 111 |
| **Total purchase price** | **269** | **177** | **446** |
| Identifiable net assets (see below) | –131 | –68 | –199 |
| **Goodwill** | **138** | **109** | **247** |

*1) Provisions for contingent consideration that is expected to be paid in cash during the period 2021–2023. The outcome is mainly dependent on the sales and earnings performance of the acquired companies and the sales price of the office building of Excitech Ltd.*

The acquired companies are knowledge companies, and goodwill is therefore attributable to the developed expertise of the staff and the employees' aggregate knowledge about the respective software and IT systems, as well as synergy effects to a certain extent.

The fair value of the identifiable assets and liabilities included in the acquisitions was as follows:

| *SEK m* | *Excitech Ltd* | *Other acquisitions* | *Total acquisitions in 2020* |
|---|---|---|---|
| Customer agreements, software, trademarks | 55 | 67 | 122 |
| Other intangible non-current assets | 0 | — | 0 |
| Property, plant and equipment | 35 | 0 | 35 |
| Financial assets | 5 | 0 | 5 |
| Inventories | 2 | — | 2 |
| Receivables [2] | 92 | 20 | 112 |
| Cash and cash equivalents | 53 | 19 | 72 |
| Current liabilities | –117 | -25 | –142 |
| Deferred tax, net | 6 | -13 | –7 |
| **Identifiable net assets** | **131** | **68** | **199** |

*2) Contractual gross amounts correspond, in all material respects, to the above-stated fair values of the acquired receivables.*

On 9 January 2020 all of the shares were acquired in the Norwegian company Unizite AS. Unizite, with a team of 10 people, has developed a cloud-based mobile field tool for collaboration in the construction and civil engineering industries. According to the purchase price allocation analysis, goodwill and other acquisition-related intangible assets arising in connection with the acquisition amounted to approximately NOK 32 m, entailing a deferred tax liability of approximately NOK 3 m. Other acquired assets and liabilities were negligible. Depending on the actual outcome for the acquired company's recurring SaaS revenue in 2022, a contingent cash earn-out payment ranging from NOK 0 to a maximum, undiscounted amount of NOK 35 m may be payable. The contingent earn-out is expected to amount to NOK 10 m, which is recognised on the consolidated balance sheet as per 31 December 2020. Unizite is now part of Tribia, a company in the Design Management division, and is consolidated as from January 2020.

On 16 January 2020 Addnode Group signed an agreement to acquire and take possession of Excitech, with net sales of approximately GBP 50 m. Excitech, with more than 3,500 customers and 150 employees, is the largest Autodesk Platinum Partner in the UK market. The contracted purchase price for all of the shares was approximately GBP 22 m, corresponding to approximately SEK 269 m, of which approximately GBP 19 m (approximately SEK 232 m) was paid through the publication date of this annual report. The contracted purchase price of GBP 22 m includes a fixed cash payment of GBP 17 m, GBP 2 m payable the form of a promissory note (for which the nominal amount may increase or decrease depending on the net proceeds of a planned sale/leaseback deal for Excitech's office building), and approximately GBP 3 m in cash in respect of net cash and working capital. The purchase price represents an Enterprise Value of approximately GBP 15 m (cash and debt-free basis, excluding the value of the office building).

The transaction was conducted in two steps. On 16 January 2020, 55 per cent of the shares in Excitech were acquired and the remaining 45 per cent were acquired in the beginning of June 2020 through the exercise of combined call and put options. The sales price for the office building is hard to assess and will depend on the length of future leases and the market development, among other things. Excitech is consolidated as from January 2020 as part of Addnode Group's Design Management division.

On 1 July 2020 Addnode Group acquired 50.1 per cent of the shares in Netpublicator Apps AB, which develops SaaS solutions for digital document and meeting management in conjunction with public administration meetings. The company's net sales in 2019 amounted to approximately SEK 16 m, with good profitability. The remaining 49.9 per cent will be acquired incrementally in 2021, 2022 and 2023, where the final purchase price will be determined based on Netpublicator's financial results. According to the purchase price allocation analysis, goodwill and other acquisition-related intangible assets arising in connection with the acquisition amount to approximately SEK 102 m, entailing a deferred tax liability of approximately SEK 7 m. Other acquired assets and liabilities were negligible. Depending on the actual outcome for the acquired company's financial performance in 2020, 2021 and 2022, a contingent cash payment ranging from SEK 0 to a maximum, undiscounted amount of SEK 57 m may be payable for the remaining shares. A provision for contingent consideration has been calculated at SEK 57 m, which is recognised on the consolidated balance sheet as per 31 December 2020. Netpublicator is consolidated in Addnode Group as from July 2020 as part of the Process Management division.

On 2 November 2020 Addnode Group acquired all of the shares in

*Note 33, cont.*

Scanscot Technology AB, the leading Nordic reseller of SIMULIA, the simulation software portfolio from Dassault Systèmes. The company has also developed its own software for simulation of bridges and other infrastructure. Scanscot had net sales of approximately SEK 38 m in 2019. According to the purchase price allocation analysis, goodwill and other acquisition-related intangible assets arising in connection with the acquisition amount to approximately SEK 40 m, entailing a deferred tax liability of approximately SEK 3 m. Other acquired assets and liabilities were negligible. Scanscot is consolidated in Addnode Group as from November 2020 as part of the Product Lifecycle Management division.

The acquisitions carried out in 2020 contributed approximately SEK 570 m to consolidated net sales and SEK 19 m to consolidated profit after tax. If the acquisitions had been carried out as per 1 January 2020, consolidated net sales for 2020 would have amounted to approximately SEK 3,850 m, and profit after tax would have amounted to approximately SEK 167 m. Costs for carrying out the acquisitions are included in the Group's other external costs in 2020 in the amount of approximately SEK 4 m.

### *ACQUISITIONS IN 2019*

| *Company/operation* | *Business* | *Acquisition date* | *Share of capital/ votes, %* |
|---|---|---|---|
| IntraPhone Solutions AB | IT solutions for planning and monitoring in home care services | 1/4/2019 | 100 |
| Kpass IT SAS | IT solutions for product information (PLM solutions) | 4/4/2019 | 100 |
| Majenta (asset/liability acquisition) | IT solutions for design and construction | 5/4/2019 | |

The following tables provide information on purchase prices, identifiable net assets and goodwill.

| *SEK m* | *Acquisitions in 2019* |
|---|---|
| **Purchase price** | |
| Cash paid in 2019 | 80 |
| Non-current and current liabilities to sellers | 3 |
| Estimated contingent consideration[1] | 6 |
| **Total purchase price** | **89** |
| Identifiable net assets (see below) | –34 |
| **Goodwill** | **55** |

*1) Provisions for contingent consideration that is expected to be paid in cash in 2020 and 2021. The outcome is mainly dependent on the earnings performance of the acquired companies.*

The acquired companies are knowledge companies, and goodwill is therefore attributable to the developed expertise of the staff and the employees' aggregate knowledge about the respective software and IT systems, as well as synergy effects to a certain extent.

The fair value of the identifiable assets and liabilities included in the acquisitions was as follows:

| *SEK m* | *Acquisitions in 2019* |
|---|---|
| Customer agreements and software | 38 |
| Property, plant and equipment | 1 |
| Receivables[2] | 15 |
| Cash and cash equivalents | 7 |
| Current liabilities | –24 |
| Deferred tax, net | –3 |
| **Identifiable net assets** | **34** |

*2) Contractual gross amounts correspond, in all material respects, to the above-stated fair values of the acquired receivables.*

On 1 April 2019 all of the shares were acquired in the software company IntraPhone Solutions AB. The business is focused on mobile IT solutions for planning and monitoring home care services, which are used by more than 45 municipalities across Sweden. The acquisition strengthens the Group's offering in the Swedish care and public assistance market. The company has annual net sales of approximately SEK 35 m and is consolidated in the Process Management division as from April 2019. According to the purchase price allocation analysis, goodwill and other acquisition-related intangible assets arising in connection with the acquisition amount to approximately SEK 47 m, entailing a deferred tax liability of approximately SEK 3 m. Other acquired assets and liabilities pertain mainly to intangible assets and other liabilities.

On 4 April 2019 all of the shares were acquired in the company Kpass IT, a French PLM specialist with annual net sales of approximately SEK 39 m. Kpass IT has 35 employees and is consolidated in the Product Lifecycle Management division as from April 2019. The acquisition further strengthens the division's offering to customers in the PLM area by establishing operations in France and Japan. According to the purchase price allocation analysis, goodwill and other acquisition-related intangible assets arising in connection with the acquisition amount to approximately SEK 22 m, entailing a deferred tax liability of approximately SEK 1 m. Other acquired assets and liabilities pertain mainly to trade receivables, cash and cash equivalents, and accrued expenses.

On 5 April 2019 Addnode Group's subsidiary Symetri Ltd acquired the British IT company Majenta's Autodesk business, with annual net sales of approximately SEK 40 m. The acquisition further extends Symetri's reach in the UK market and is in line with the strategy to be an international market-leading provider of software and services for design and engineering activities. Acquired assets consist mainly of customer contracts.

The acquisitions carried out in 2019 contributed approximately SEK 83 m to consolidated net sales and SEK 5 m to consolidated profit after tax. If the acquisitions had been carried out as per 1 January 2019, consolidated net sales for the full year 2019 would have totalled approximately SEK 3,462 m, and profit after tax would have totalled approximately SEK 131 m. Costs associated with the acquisitions are recognised in the Group in 2019 as other external costs of SEK 2 m.

*Note 33, cont.*

***CASH FLOW FROM ACQUISITIONS OF SUBSIDIARIES AND BUSINESSES***

| | Group | |
|---|---|---|
| ***SEK m*** | ***2020*** | ***2019*** |
| Cash consideration paid | –343 | –255 |
| Cash and cash equivalents in acquired subsidiaries | 72 | 7 |
| **Change in the Group's cash and cash equivalents upon acquisition** | **–271** | **–248** |

Cash consideration paid in 2020 included payments of contracted contingent consideration totalling SEK 11 m (175) for company acquisitions carried out in previous years.

## NOTE 34

### CASH AND CASH EQUIVALENTS, AND SHORT-TERM INVESTMENTS

Cash and cash equivalents in the Group and Parent Company included no holdings of short-term investments at 31/12/2020 or 31/12/2019.

Neither the Group nor the Parent Company had any cash and cash equivalents in blocked bank accounts at 31/12/2020 or 31/12/2019.

## NOTE 35

### CHANGES IN LIABILITIES ATTRIBUTABLE TO FINANCING ACTIVITIES

| ***SEK m*** | ***Liabilities to credit institu-tions*** | ***Lease liabilities*** | ***Group*** |
|---|---|---|---|
| **Opening balance, 1 January 2019** | 510 | 2 | 512 |
| **Cash flow for the year 2019:** | | | |
| Loans raised | 116 | — | 116 |
| Amortisation of debt | –169 | –67 | –236 |
| **Non-cash items 2019:** | | | |
| Transition to IFRS 16 | — | 131 | 131 |
| New and terminated leases | — | 54 | 54 |
| Exchange rate differences | 35 | 3 | 38 |
| **Closing balance, 31 December 2019** | **492** | **123** | **615** |
| **Cash flow for the year 2020:** | | | |
| Loans raised | 263 | — | 263 |
| Amortisation of debt | 0 | –70 | –70 |
| **Non-cash items 2020:** | | | |
| New and terminated leases | — | 76 | 76 |
| Exchange rate differences | –56 | –3 | –59 |
| **Closing balance, 31 December 2020** | **699** | **126** | **825** |

## NOTE 36

### FINANCIAL RISKS AND RISK MANAGEMENT

#### FINANCIAL RISKS

In the course of its international operations Addnode Group is exposed to various types of financial risk that can affect earnings, cash flow and shareholders' equity. These risks include:

- Interest rate risks for loans and liquid assets
- Financing and liquidity risks associated with the Group's capital requirement
- Currency risks associated with commercial flows and net investments in foreign subsidiaries
- Credit risks associated with financial and commercial activities
- Other price risks

Addnode Group has a Group-wide finance policy that is adopted by the Board of Directors of Addnode Group AB. The finance policy defines interest rate, financing, liquidity, currency and credit risks, and assigns responsibility and authorisation for management of these risks. The finance policy stipulates that the purpose of financial risk management shall strive to minimise the impact on the Group's earnings and financial position.

In the Group's decentralised organisation, the finance operations are centralised in the Parent Company, which has overarching responsibility for the Group's financial risk management in order to be able to monitor the Group's combined financial risk positions and achieve cost efficiency and promote joint-Group interests.

No significant changes have been made in the Group's targets, policies or methods for managing financial risks compared with the preceding year. The Board evaluates the Group's targets, policies and methods for managing financial risks on a regular basis.

#### INTEREST RATE RISK

Interest rate risk is defined as the risk that changes in market interest rates will have a negative effect on the Group's earnings and cash flow.

The Group is exposed to interest rate risk through interest-bearing loans and cash and cash equivalents. Changes in interest rates have a direct impact on the Group's net interest income. The Group's borrowings and debt management are handled within the Parent Company. Interest-bearing borrowings consist mainly of bank loans.

One of the most significant factors affecting interest rate risk is the choice of fixed interest terms for the Group's debt portfolio. The time it takes for a permanent change in interest rates to impact consolidated profit depends on the loan's term of fixed interest. At present the Group does not use derivative instruments to manage interest rate risk. The average term of fixed interest at 31 December 2020 was 0.4 years (0.7).

The Group's interest income and interest expense are mainly affected by changes in market interest rates in Sweden and the UK.

*Note 36, cont.*

The table below shows the Group's interest-bearing net debt on the respective balance sheet dates. Based on interest-bearing net debt, excluding lease liabilities according to IFRS 16, an unfavourable change in interest rates of 1 per cent would have an earnings impact of SEK –1 m (–2).

| | *Group* | |
|---|---|---|
| ***SEK m*** | ***31/12/2020*** | ***31/12/2019*** |
| **Interest-bearing net debt** | | |
| Cash and cash equivalents | –644 | –294 |
| Interest-bearing receivables | -1 | 0 |
| Interest-bearing liabilities | 827 | 615 |
| **Net nebt(+)/receivables(–)** | **182** | **321** |

## LIQUIDITY RISK

Liquidity risk is defined as the risk of the Group on a given occasion not having sufficient liquid assets or other means of payment to be able to meet its regular payment obligations. To secure its readiness to pay, Addnode Group's goal is to maintain a liquidity buffer that corresponds to a minimum of 5 per cent of the Group's rolling annual sales. The liquidity buffer is defined as bank balances and short-term investments plus unutilised, committed bank overdraft facilities.

The Parent Company works actively to ensure optimal management of the Group's liquidity by centralising liquidity in the Parent Company via Group accounts and internal loans. Surplus liquidity shall primarily be used to amortise external debt. Any additional liquid assets shall be held in bank accounts or be invested in fixed-income instruments with high liquidity. The Parent Company has a bank overdraft facility of SEK 100 m. This amount was unutilised as per 31 December 2020.

| | *Group* | |
|---|---|---|
| ***SEK m*** | ***31/12/2020*** | ***31/12/2019*** |
| Cash and cash equivalents | 644 | 294 |
| Committed bank overdraft facilities | 100 | 100 |
| Utilised portion of bank overdraft facilities | 0 | 0 |
| **Available liquidity** | **744** | **394** |

## FINANCING RISK

Financing risk is defined as the risk that it will be difficult and/or costly to obtain new financing or to refinance and existing debt at a given point in time.

Financing risk is managed through the use of long-term credit facilities. The currently contracted revolving credit facility of SEK 1,000 m expires in June 2021. Refinancing is in progress. Utilised amounts under the credit facility are reported as short-term loans. The contracted credit facilities can be used to finance future acquisitions as well as to pay contingent consideration. The respective bank loans have terms of one, three, six or 12 months, but their debt amount can thereafter be reborrowed in its entirety within the framework of the credit facility's total amount. Of the Group's liabilities to credit institutions at 31/12/2020, SEK 91 m (48) was denominated in SEK and SEK 607 m (444) was denominated in GBP. The liabilities in SEK carried fixed interest of approximately 1.3 per cent (1.5), and the liabilities in GBP carried fixed interest of approximately 1.4 per cent (2.2). Interest rates are adjusted in connection with resetting of the respective loans.

The loan agreement contains financial covenants that prescribe a limit for the Group's net debt in relation to adjusted EBITDA as well as a limit for the Group's interest coverage ratio. Of the credit facilities, SEK 698 m (481) had been utilised as per 31/12/2020. Management and the Board of Directors monitor the Group's prognosticated performance in relation to the limit values in the covenants and thereby ensure that the Group will meet its obligations to external lenders. As per 31 December 2020 the Group was in compliance with the terms of the loans and expects to be remain so in 2021.

The following table shows undiscounted future cash flows (differences compared with amounts of interest-bearing liabilities carried on the consolidated balance sheet pertain to future interest payments).

| | *Due for payment* | | | |
|---|---|---|---|---|
| ***SEK m*** | ***Within 1 year*** | ***Between 1 and 2 yrs*** | ***Between 2 and 5 yrs*** | ***After more than 5 yrs*** |
| **Provisions and financial liabilities at 31/12/2020** | | | | |
| Provisions for contingent consideration | 45 | 36 | 30 | — |
| Provisions for decided restructuring measures | 20 | — | — | — |
| Other provisions | — | 2 | — | 9 |
| Interest-bearing liabilities excluding lease liabilities according to IFRS 16 | 707 | — | — | — |
| Interest-bearing lease liabilities according to IFRS 16 | 66 | 41 | 25 | 0 |
| Trade payables and other financial liabilities | 199 | — | — | 1 |
| **Total** | **1,037** | **79** | **55** | **10** |

*Note 36, cont.*

| *SEK m* | *Due for payment* Within 1 year | *Between 1 and 2 yrs* | *Between 2 and 5 yrs* | *After more than 5 yrs* |
|---|---|---|---|---|
| **Provisions and financial liabilities at 31/12/2019** | | | | |
| Provisions for contingent consideration | 5 | 3 | – | – |
| Provisions for decided restructuring measures | 0 | – | – | – |
| Other provisions | – | 2 | – | 9 |
| Interest-bearing liabilities excluding lease liabilities according to IFRS 16 | 497 | – | – | – |
| Interest-bearing lease liabilities according to IFRS 16 | 61 | 38 | 27 | – |
| Liabilities for consideration, non-interest-bearing | 8 | – | – | – |
| Trade payables and other financial liabilities | 167 | – | – | – |
| **Total** | **738** | **43** | **27** | **9** |

## CURRENCY RISK

By currency risk is meant the risk of unfavourable changes in exchange rates having a negative impact on the Group's earnings and financial position. The Group is exposed to currency risks through continuing business transactions in various currencies (transaction exposure). In addition, the Group is affected by translation effects when foreign subsidiaries' earnings and net assets in foreign currencies are translated to Swedish kronor (translation exposure).

### Transaction exposure

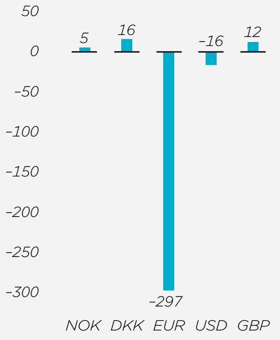
Transaction exposure arises when a company has cash flows in foreign currencies. Exchange rate movements affect cash flow in foreign currencies and entail a risk of the Group's profitability being negatively affected.

The Group's subsidiaries work mainly in their respective local markets, with revenue and expenses in local currency, which reduces transaction exposure. The transaction exposure that arises pertains mainly to purchases in EUR in which the sale is conducted in another currency. The effects of changed exchange rates have to a large extent be handled through pricing. This means that the sensitivity to exchange rate fluctuations has historically been lower than amounts stated below.

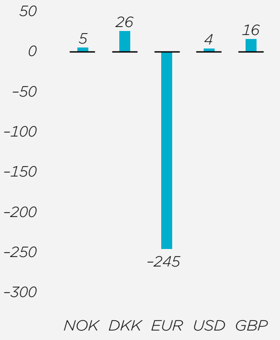
Decisions on possible hedges of transaction exposure through currency derivatives are made centrally by the Parent Company. During 2020, no transaction flows in foreign currency were hedged through forward exchange contracts.

The following chart shows net transaction exposure (revenue less expenses) in the most significant surplus and deficit currencies.

**TRANSACTION EXPOSURE 2020, SEK M**




**TRANSACTION EXPOSURE 2019, SEK M**




Based on net flows in 2020, the table below shows a sensitivity analysis of the effect on profit after tax of a 10 per cent weaker SEK in relation to other currencies, with all other variables remaining constant.

| *SEK –10% compared with* | *SEK m* |
|---|---|
| EUR | –23 |
| DKK | 1 |
| GBP | 1 |
| NOK | 0 |
| USD | –1 |

### Translation exposure

Changes in exchange rates have an impact on the Group's earnings through translation of foreign subsidiaries' earnings to Swedish kronor. The effects pertain mainly to the currencies GBP, NOK and EUR.

Upon consolidation to the Group's reporting currency, SEK, net assets in foreign subsidiaries give rise to translation differences that affect the Group's shareholders' equity. The Group can hedge translation exposure in net assets by financing assets with liabilities in the same currency.

Of net assets denominated in foreign currencies on the balance sheet date of 31/12/2020, SEK 794 m were attributable to pounds sterling (GBP), SEK 346 m were attributable to euros (EUR), and SEK 230 m were attributable to Norwegian kroner (NOK). If EUR were to strengthen/weaken by 10 per cent against SEK, the Group's total shareholders' equity would increase/decrease by approximately SEK 31 m, and if NOK were to strengthen/weaken by 10 per cent against SEK, the Group's total shareholders' equity would increase/decrease by approximately SEK 23 m. At present, part of the net assets in GBP in the UK subsidiaries and to a certain extent net assets in Norwegian and French subsidiaries are hedged through liabilities in the corresponding currencies. Hedge accounting is applied for the liabilities in foreign currency that pertain to hedges of net assets. Exchange rate changes for these types of liabilities are recognised in other comprehensive income.

*Note 36, cont.*

| *Currency* | *Net assets* | *Currency hedges* | *2020* |
|---|---|---|---|
| DKK | 23 | — | 23 |
| EUR | 346 | -3 | 343 |
| GBP | 794 | -646 | 148 |
| NOK | 230 | -10 | 220 |
| USD | 15 | — | 15 |
| Other currencies | 31 | — | 31 |
| **Total** | **1,439** | **-659** | **780** |

| *Currency* | *Net assets* | *Currency hedges* | *2019* |
|---|---|---|---|
| DKK | 23 | — | 23 |
| EUR | 322 | -6 | 316 |
| GBP | 564 | -446 | 118 |
| NOK | 232 | — | 232 |
| USD | 20 | — | 20 |
| Other currencies | 35 | — | 35 |
| **Total** | **1,196** | **-452** | **744** |

## OTHER PRICE RISKS

As per 31/12/2020 there were no significant assets or liabilities with exposure to other price risks.

## CREDIT RISK

Credit risk pertains to the risk for losses due to the Group's customers or counterparties in financial contracts failing to meet their payment obligations. Credit risk is thus broken down into financial credit risk and business-related credit risk.

**Financial credit risk**

Financial credit risk in the form of counterparty risks arises in connection with investments of cash and cash equivalents and trading in derivative instruments. Investment of surplus liquidity may only be made with counterparties with high credit ratings or that meet the Group's minimum rating requirement. The maximum credit risk corresponds to the carrying amount of financial assets on the consolidated balance sheet.

**Business-related credit risk**

Addnode Group's business-related credit risk is primarily attributable to trade receivables and is managed in the respective divisions and subsidiaries. Trade receivables are distributed among a large number of counterparties. Of total trade receivables at 31/12/2020, 61 per cent (57) were for amounts of less than SEK 1 m per customer. The Group has established guidelines to ensure that sales are made to customers with satisfactory credit histories. Historically the Group has had very low costs for bad debts. The provision for bad debts amounted to SEK 8 m (4) on the balance sheet date of 31/12/2020, corresponding to 1.4 per cent (0.7) of total trade receivables. Earnings for 2020 were negatively affected by SEK 5 m (2) through provisions for bad debts.

| | *Group* | | | |
|---|---|---|---|---|
| | *31/12/2020* | | *31/12/2019* | |
| *SEK m* | *Amount* | *Share, %* | *Amount* | *Share, %* |
| **Concentration of trade receivables** | | | | |
| Trade receivables < SEK 1 m per customer | 329 | 61 | 316 | 57 |
| Trade receivables SEK 1–5 m per customer | 187 | 34 | 200 | 36 |
| Trade receivables > SEK 5 m per customer | 27 | 5 | 43 | 7 |
| **Total** | **543** | **100** | **559** | **100** |

The following table shows the age structure of the trade receivables that were past due on the balance sheet date, but for which no need to recognise impairment was identified. Active work on reducing tied-up capital, including focus on collecting customer payments, has freed up liquid assets and reduced the share of past-due trade receivables.

| | *Group* | |
|---|---|---|
| *SEK m* | *31/12/2020* | *31/12/2019* |
| **Past due trade receivables** | | |
| Trade receivables past due 1–29 days | 70 | 102 |
| Trade receivables past due 30–59 days | 12 | 18 |
| Trade receivables past due 60–89 days | 2 | 10 |
| Trade receivables past due 90 days or more | 2 | 7 |
| **Total** | **86** | **137** |

## DERIVATIVE INSTRUMENTS

The Group had no outstanding forward exchange contracts or other held or issued derivative instruments on 31/12/2020 or 31/12/2019.

## MEASUREMENT OF FAIR VALUE

No financial assets or liabilities are stated at a value that considerably deviates from their fair value.

## NOTE 37

### IMPORTANT ESTIMATES AND ASSESSMENTS FOR ACCOUNTING PURPOSES

Preparation of financial statements and application of accounting policies are often based on assessments, estimations and assumptions that are considered to be reasonable and well-considered at the time they are made. With other assessments, assumptions or estimations, the results may be different, and events can occur that may require significant adjustment of the carrying amount of the pertinent asset or liability.

The most important accounting policies, whose application is based on such assessments, and the most important sources of uncertainty in estimations that the Group believes may have the most significant impact on the Group's reported earnings and financial position pertain mainly to goodwill and other acquisition-related intangible assets, provisions for contingent consideration, and deferred tax assets and liabilities.

With respect to goodwill and other acquisition-related intangible assets (see Note 15), this pertains mainly to the impairment testing that is conducted on a regular basis. Carrying amounts can be affected by changes in the applied discount rate as well as by estimations of the future development of prices, costs and demand for the goods and services that form the basis of cash flow forecasts.

For certain company acquisitions, contingent consideration (earn-out payments) may account for a large portion of the total consideration for the acquired company and may also amount to considerable sums. Contingent consideration is normally dependent on the future earnings performance and/or revenue growth for the acquired company. At the time of acquisition, provisions for estimated contingent consideration are reported based on forecasts of future revenue and earnings performance of the acquired companies (see Notes 27 and 33). According to IFRS 3, subsequent remeasurements of provisions for contingent consideration and the differences between the reported provision and the actual outcome are to be recognised in the consolidated income statement. This means that future remeasurements of reported provisions may significantly affect consolidated earnings, both positively and negatively, in coming years.

Reporting of deferred tax assets pertaining to tax loss carryforwards and other future tax deductions is based on assessments of the opportunity for future use. Deferred tax assets are reported only to the extent it is likely that the deductions can be offset against surpluses in future taxation (see Note 12).

## NOTE 38

### RELATED PARTY DISCLOSURES

On 31 December 2020, Aretro Capital Group AB's ownership amounted to 6.6 per cent (6.8) of the share capital and 18.5 per cent (18.7) of the votes in Addnode Group AB (publ). Aretro Capital Group AB is owned jointly via companies by Staffan Hanstorp and Jonas Gejer. Staffan Hanstorp is Chairman of the Board of Addnode Group. Jonas Gejer was President of TECHNIA AB as well as of the Product Lifecycle Management division during the period 2011-2020, and is thereafter Vice President Business Development for Addnode Group and a continued member of Group Management. No transactions have been made between Aretro Capital Group AB and companies in the Group in which Addnode Group AB (publ) is the Parent Company.

| | *Group* | |
|---|---|---|
| ***SEK thousands*** | ***2020*** | ***2019*** |
| **Remuneration of the Board of Directors and senior executives:** | | |
| Salaries and other short-term employment benefits (see also description in Note 5) | 20,563 | 19,461 |
| **Total** | **20,563** | **19,461** |

In 2020 the Chairman of the Board, Staffan Hanstorp, invoiced via a company the Parent Company SEK 2,509 thousand (2,520) in fees for consulting services related to the Group's acquisition opportunities, financing matters, strategic partnerships and overarching strategic matters. This amount is not included in the table above.

**Sales to and purchases from other companies in Addnode Group**

For the Parent Company Addnode Group AB (publ), 99 per cent (100) of net sales for the year and 18 per cent (18) of purchases for the year pertained to own subsidiaries. For sales and purchases between Group companies, the same policies apply for pricing as in transactions with external parties.

## NOTE 39

### AVERAGE NUMBER OF EMPLOYEES, ETC.

| *Average number of employees* | *2020* Average number of employees | *2020* Of whom, women | *2019* Average number of employees | *2019* Of whom, women |
|---|---|---|---|---|
| Parent Company | 7 | 2 | 7 | 2 |
| **Subsidiaries** | | | | |
| Sweden | 800 | 205 | 786 | 198 |
| Denmark | 11 | 4 | 12 | 4 |
| Finland | 62 | 7 | 63 | 10 |
| Norway | 110 | 17 | 92 | 17 |
| UK | 275 | 61 | 149 | 38 |
| Germany | 178 | 45 | 187 | 48 |
| Netherlands | 24 | 3 | 21 | 2 |
| France | 31 | 6 | 26 | 5 |
| Serbia | 13 | 3 | 16 | 7 |
| Slovakia | 28 | 3 | 27 | 3 |
| Austria | 4 | — | 4 | — |
| USA | 13 | 3 | 19 | 6 |
| Australia | 11 | 5 | 14 | 8 |
| Canada | 3 | 1 | 4 | 1 |
| South Africa | 3 | 1 | 9 | 5 |
| India | 180 | 38 | 153 | 35 |
| Japan | 5 | — | 1 | — |
| **Total, subsidiaries** | **1,751** | **402** | **1,583** | **387** |
| **Group total** | **1,758** | **404** | **1,590** | **389** |

| *Board members and senior executives* | *2020* Number on balance sheet date | *2020* Of whom, women | *2019* Number on balance sheet date | *2019* Of whom, women |
|---|---|---|---|---|
| **Parent Company** | | | | |
| Board members | 7 | 3 | 6 | 2 |
| President and other senior executives | 3 | 1 | 3 | 1 |

## NOTE 40

### EVENTS AFTER THE BALANCE SHEET DATE

No significant events have taken place after the balance sheet date.

## NOTE 41

### INFORMATION ABOUT ADDNODE GROUP AB (PUBL)

Addnode Group AB (publ) has its registered office in Stockholm, Sweden, and the address of the Company's head office is Hudiksvallsgatan 4B, SE-113 30 Stockholm. The Parent Company's Class B shares are listed on Nasdaq Stockholm.

This annual report and consolidated financial statements were approved for publication by the Board of Directors on 25 March 2021.

The income statements and balance sheets for the Parent Company and the Group will be presented for adoption at the Annual General Meeting on 6 May 2021.

# ANNUAL REPORT SIGNATURES

The Board of Directors and President affirm that the consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the EU, and that they provide a true and fair view of the Group's financial position and results of operations. The annual report was prepared in accordance with generally accepted accounting practice and provides a fair and accurate view of the financial position and earnings of the Parent Company.

The Board of Directors' report for both the Group and the Parent Company accurately reflects the Group's and the Parent Company's operations, financial position and earnings, and describes the significant risks and uncertainties facing the Parent Company and the companies included in the Group.

Stockholm, 25 March 2021

**Staffan Hanstorp**
Chairman of the Board

**Jan Andersson**
Director

**Kristofer Arwin**
Director

**Johanna Frelin**
Director

**Sigrun Hjelmquist**
Director

**Thord Wilkne**
Director

**Kristina Willgård**
Director

**Johan Andersson**
President and CEO

Our audit report was submitted on 25 March 2021
PricewaterhouseCoopers AB

**Anna Rosendal**
Authorised Public Accountant
Auditor-in-charge

# AUDITOR'S REPORT

To the general meeting of the shareholders of Addnode Group AB (publ), corporate identity number 556291-3185

## REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

**Opinions**

We have audited the annual accounts and consolidated accounts of Addnode Group AB (publ) for the year 2020. The annual accounts and consolidated accounts of the company are included on pages 54–115 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company and the group as of 31 December 2020 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2020 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act.

A corporate governance statement has been prepared and is in agreement with the Annual Accounts Act. The statutory administration report and the corporate governance statement are consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

**Basis for Opinions**

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

**Our audit approach**

***Audit scope***

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the group operates.

Addnode Group acquires, operates and develops enterprise-driven IT companies that provide software and services to markets in which they have, or can take, market-leading positions. The Group's revenue streams primarily come from consulting, service and licensed products. The company's development has been both organic and acquisition driven, and revenue is mainly contractual and recurring.

An extensive part of Addnode Group's operations are based in Sweden. In addition, large operations are carried out via subsidiaries in Norway, Finland, Germany and England. For the purpose of expressing an opinion on the consolidated accounts taken as a whole, we decided that the most significant subsidiaries in these countries should be in scope for the Group audit. Most subsidiaries in the Group are also subject to statutory audit requirements. For entities in the Group audit scope, we have issued detailed instructions and obtained reporting and performed follow-up discussions and meetings with local teams to determine if sufficient audit evidence has been obtained to support our auditor's opinion.

We have considered the impact covid-19 has had on our audit and tailored our procedures to properly cover any new and/or increased risks. On an overall level we have been able to conduct our audit although the pandemic has led to other ways of working and use of digital tools for communication and collection of audit evidence.

***Materiality***

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

***Key Audit Matters***

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

| KEY AUDIT MATTER | HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER |
|---|---|
| **Valuation of goodwill**<br>In the consolidated balance sheet, externally acquired goodwill amounts to SEK 1,763 million. This amount represents 46% of the Group's total assets. Goodwill is therefore significant for the Group. In addition, valuation of goodwill is influenced by management's judgments. Based on this, we consider valuation of goodwill as a Key audit matter in our audit.<br>Management conducts an impairment test of goodwill annually to determine whether or not there is a need for write-down. Assumptions and judgments include forecasts of growth and operating margin, investment needs and applied discount rate. If the actual performance deviates negatively from applied assumptions and judgments, an impairment need may arise.<br>In note 15 there is additional information about the impairment test of goodwill including the most significant assumptions and judgments applied. | Our audit included but was not limited to the following activities:<br>• Assessed the model used by the Group for impairment testing and evaluated the significant assumptions for establishing forecasted cash flows and discount interest rates used for calculating the value-in-use of the cash generating units. In our evaluation, we have compared with the historic business performance and the Group's forecasts and strategic planning as well as with external data sources when possible and relevant.<br>• Traced disclosure information to accounting records and other supporting documentation. |
| **Accounting for acquisitions**<br>During the year, the Group has acquired four companies with a contribution to net revenue in 2020 with SEK 570 million and to profit after tax with SEK 19 million. Accounting for acquisitions is associated with significant estimates and judgments with respect to the value of acquired assets and liabilities.<br>In connection with preparation of purchase price allocations, the company has allocated the purchase price to acquired assets, where the majority is goodwill. This by identifying acquired assets and determining fair value based on acceptable valuation principles and models.<br>Additional information about acquisitions during the year and purchase price allocations are found in note 33. | Our audit included but was not limited to the following activities:<br>• Evaluated whether the purchase price allocations of the significant acquisitions made during the year meet the requirements of IFRS and have been prepared according to generally accepted practices. Assessed that significant assumptions used to measure values of acquired assets are reasonable.<br>• Traced disclosure information to accounting records and other supporting documentation. |

**Other Information than the annual accounts and consolidated accounts**

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–53 and 120–125 and the statutory sustainability report on pages 26–41. This other information also contains the Remuneration report that we expect to receive after the release of the Auditor's report. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of the Board of Director's and the Managing Director**

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

**Auditor's responsibility**

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsinspektionen's website:

*www.revisorsinspektionen.se/revisornsansvar.*

This description is part of the auditor's report.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

**Opinions**

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Director's and the Managing Director of Addnode Group AB (publ) for the year 2020 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Director's and the Managing Director be discharged from liability for the financial year.

**Basis for Opinions**

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

**Responsibilities of the Board of Director's and the Managing Director**

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfil the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

**Auditor's responsibility**

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibility for the audit of the administration is available on Revisorsinspektionen's website:

*www.revisorsinspektionen.se/revisornsansvar.*

This description is part of the auditor's report.

PricewaterhouseCoopers AB, Torsgatan 21, 113 97 Stockholm, was appointed auditor of Addnode Group AB (publ) by the general meeting of the shareholders on May 7, 2020 and has been the company's auditor since the general meeting of the shareholders on April 9, 2003.

Stockholm 25 March 2021

PricewaterhouseCoopers AB

**Anna Rosendal**
Authorized Public Accountant
Auditor in charge

# KEY RATIOS, DEFINITIONS AND GLOSSARY

## USE AND RECONCILIATION OF ALTERNATIVE PERFORMANCE MEASURES

Guidelines for information about Alternative Performance Measures (APMs) for companies with securities listed on a regulated market within EU have been issued by the European Securities and Markets Authority (ESMA) and shall be applied for Alternative Performance Measures in published compulsory information. Alternative Performance Measures refer to financial measures of historical or future development of earnings, financial position, financial results or cash flows that are not defined or stated in applicable rules for financial reporting. Certain performance measures are used in the annual report which are not defined in IFRS, with the purpose to give investors, analysts and other interested parties clear and relevant information about the company's business and performance. The use of these performance measures and reconciliation to the financial statements are presented below. Definitions are provided on page 121.

**EBITA**
EBITA is a measure that the Group considers to be relevant for investors, analysts and other interested parties in order to understand profit generation before investments in intangible non-current assets. The measure is an expression of operating profit before amortisation and impairment of intangible non-current assets.

**Net debt**
The Group considers this key ratio to be useful for the users of the financial statements as a complement in evaluating the capacity to pay dividends, to execute strategic investments and to evaluate the Group's ability to meet its financial obligations. The key ratio expresses the level of financial borrowing in absolute amounts after deducting cash and cash equivalents.

| ***Reconciliation of EBITA, SEK m*** | ***2020*** | ***2019*** |
|---|---|---|
| Operating profit | 229 | 218 |
| Depreciation, amortisation and impairment of intangible non-current assets | 127 | 109 |
| **EBITA** | **356** | **327** |

| ***Reconciliation of net debt, SEK m*** | ***31/12/2020*** | ***31/12/2019*** |
|---|---|---|
| Non-current liabilities | 235 | 155 |
| Current liabilities | 2 071 | 1 604 |
| Noninterest-bearing non-current and current liabilities | -1 479 | –1 144 |
| **Total interest-bearing liabilities** | **827** | **615** |
| Cash and cash equivalents | -644 | –294 |
| Other interest-bearing receivables | -1 | 0 |
| **Net debt (+)/receivables (–)** | **182** | **321** |

## DEFINITIONS

**Average number of employees**
Average number of employees during the period (full-time equivalents).

**Capital employed**
Total assets less noninterest-bearing liabilities and noninterest-bearing provisions including deferred tax liabilities.

**Cash flow per share**
Cash flow from operating activities divided by the average number of shares outstanding.

**Cash liquidity**
Current assets excluding inventory as a percentage of current liabilities.

**Currency-adjusted organic growth**
Change in net sales, recalculated at the preceding year's exchange rate, excluding acquired units during the last 12-month period.

**Debt/equity ratio**
Net debt in relation to shareholders' equity (including equity attributable to non-controlling interests).

**Earnings per share**
Net profit divided by the average number of shares outstanding.

**EBITA**
Earnings before amortisation and impairment of intangible non-current assets.

**EBITA margin**
EBITA as a percentage of net sales.

**Equity/assets ratio**
Shareholders' equity (including shareholders' equity attributable to non-controlling interests) as a percentage of total assets.

**Interest coverage ratio**
Profit before tax plus financial expenses divided by financial expenses.

**Net debt**
Interest-bearing liabilities less cash and cash equivalents and other interest-bearing receivables. According to this definition, a negative level of net debt means that cash and cash equivalents and other interest-bearing financial assets exceed interest-bearing liabilities.

**Net sales per employee**
Net sales divided by the average number of employees (full-time equivalents).

**Operating margin**
Operating profit as a percentage of net sales.

**Organic growth**
Change in net sales excluding acquired entities during the last 12-month period.

**P/E multiple**
Share price in relation to earnings per share.

**Profit margin**
Profit before tax as a percentage of net sales.

**Recurring revenue**
Revenue of an annually recurring character, such as revenue from support and maintenance contracts and revenue from subscription agreements, rental contracts and SaaS solutions.

**Return on capital employed**
Profit before tax plus financial expenses as a percentage of the average capital employed. Based on profit for the last 12 months and the average of the opening and closing balance of capital employed.

**Return on shareholder's equity**
Net profit as a percentage of average shareholders' equity. Based on profit for the last 12 months and the average of the opening and closing balance of shareholders' equity.

**Shareholders' equity**
Reported shareholders' equity plus untaxed reserves less deferred tax at the current tax rate.

**Shareholders' equity per share**
Shareholders' equity divided by the total number of shares outstanding.

**Share price/ shareholders' equity**
Share price in relation to shareholders' equity per share.

## GLOSSARY OF INDUSTRIAL TERMS

**BIM – Building Information Modeling**
IT systems for 3D digital representation and information processing in e.g., buildings and facilities.

**CAD – Computer Aided Design**
IT systems for design and construction of products, buildings and facilities. Using a CAD system, designers can visualise their designs, ensure defect-free construction and improve documentation for all aspects of the design process.

**Design Management**
One of our divisions. Provides software and services for design, construction and management of products, properties and infrastructure.

**FM – Facility Management**
A collective name for spaces, infrastructure and people within an organisation, and often associated with administration of properties, office buildings and hotels.

**GIS – Geographical Information Systems**
IT systems for geographical information that analyse and present the results with map data as a foundation. The term GIS is not to be interchange with "geographical information", such as a map symbol or line representing a road. GISs are used to create, edit and research land area.

**Open source**
Open source, open code or open software, is a computer program in which the source code is freely accessible for anyone to use, read, modify or further distribute.

**PDM – Product Data Management**
A tool for tracing and controlling components and data about a given product. Used mainly to ensure that the technical specifications during an entire development and manufacturing process are the same for all people working with the project. PDM is commonly used in conjunction with PLM systems.

**PLM – Product Lifecycle Management**
One of our divisions. Provider of software and services for product data information. One of Europe's leading providers. The PLM market can be divided into three different segments:

- Tools for creating, analysing, visualising, modelling and documenting information about products, buildings and facilities. CAD programs are one of the most commonly used tools in this work.
- Tools for capturing, managing, sharing, visualising and enabling collaboration. PLM systems are one of the most commonly used tools in this work.
- Tools for planning processes, resources, production layout, and for analysis and simulation of production processes.

**Process Management**
One of our divisions. Provider of IT systems for document and case management, websites and collaboration tools. One of Sweden's and Norway's leading providers to municipal administrations, authorities and companies.

**SaaS – Software as a Service**
A model for offering software as a service, where users gain access to the applications via the internet, i.e., without themselves having the system, service or program installed on their own computers or servers.

# ADDRESSES

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*For other local addresses, please refer to the respective companies' websites.*

# FINANCIAL INFORMATION

**FINANCIAL INFORMATION**

and other relevant company information is published on www.addnodegroup.com and can be ordered from Addnode Group, Hudiksvallsgatan 4B, SE-113 30 Stockholm.

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**DISTRIBUTION POLICY**

The 2020 Annual Report can be ordered prior to the Annual General Meeting and is available as a download-able PDF document from www.addnodegroup.com.

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**FINANCIAL CALENDAR**

Interim report January–March: 29 April 2021
Annual General Meeting: 6 May 2021
Interim report January–June: 21 July 2021
Interim report January–September: 29 October 2021

MENU

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